

THE GREAT STATE OF  
**OKLAHOMA**

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COMPREHENSIVE ANNUAL  
**FINANCIAL REPORT**

**FISCAL  
YEAR ENDED  
JUNE 30, 2013**

Oklahoma designated redbud (*Cercis canadensis*) as the official state tree in 1937. The redbud tree's reddish-pink blossoms that frame the State Capitol in early spring are showcased on the cover. Showcased on the divider pages are examples of architecture and designs that can be found in the capitol.

Photographs provided by Stefani L. Hovarter, employee of the Oklahoma Office of Management and Enterprise Services.

# OKLAHOMA

# 2013

**Comprehensive Annual Financial Report  
for the Fiscal Year Ended June 30, 2013**

**Mary Fallin  
Governor**

Prepared by  
**Office of Management and Enterprise Services**  
Preston L. Doerflinger, Director  
Lynne Bajema, State Comptroller

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Requests for additional copies, comments or questions may be directed to Susan Perry, Office of Management and Enterprise Services, 2300 North Lincoln Blvd., Suite 122, Oklahoma City, Oklahoma 73105.

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South Entrance of the State Capitol



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# Introductory Section

# **Introductory Section**



**State of Oklahoma**  
Office of Management and Enterprise Services

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December 31, 2013

To the Honorable Mary Fallin, Governor  
Members of the Legislature, and  
Citizens of the State of Oklahoma

The Office of Management and Enterprise Services is pleased to present the Comprehensive Annual Financial Report (CAFR) for the State of Oklahoma for the fiscal year ended June 30, 2013. This report, presented in three sections - Introductory, Financial, and Statistical, is the primary means of reporting the State government's financial activities. Its objectives are to provide a clear picture of the government as a single, unified entity and to provide traditional fund based financial statements. The CAFR has been prepared in conformity with relevant Governmental Accounting Standards Board (GASB) statements.

The Introductory Section contains an overview of the State's economic performance, a review of current initiatives, and summary financial data. The Financial Section contains Management's Discussion and Analysis; Government Wide Financial Statements; and Fund Financial Statements for Governmental Funds, Proprietary Funds, Fiduciary Funds and Similar Component Units, and Major Component Units. The Financial Section also includes the Notes to the Financial Statements, Required Supplementary Information, and Other Supplementary Information. The Statistical Section contains selected financial and demographic information. Management's Discussion and Analysis contains complementary information and readers are encouraged to review this section.

## **PROFILE OF THE GOVERNMENT**

Management of the State, through the Office of Management and Enterprise Services (OMES), is responsible for the accuracy, fairness, and completeness of the financial statements presented in this report. The statements have been prepared in accordance with generally accepted accounting principles (GAAP). To the best of our knowledge and belief, the information presented is accurate in all material respects and includes all disclosures necessary for an understanding of the State's financial position and activities. The Governor and Legislature govern all funds and accounts for every executive agency, board, commission, public trust, authority, college, and university whose data are presented in this report. The financial reporting entity, the State of Oklahoma, includes these funds, organizations, agencies, boards, commissions, and authorities. In accordance with Governmental Accounting Standards Board Statement 14, the State financial reporting entity includes twenty-one component units. There are seven major component units, eight nonmajor component units, and six fiduciary component units. The major and nonmajor component units are discretely presented in the financial statements. The fiduciary component units are presented in the Fiduciary Fund and Similar Component Units' Financial Statements, along with the other fiduciary activities of the state. The fiduciary activities are not included in the Government-Wide Financial Statements because the resources of these funds are not available to support the State's own programs.

State finances are governed by rules designed to ensure sound, conservative management. The legislature cannot appropriate more than 95% of the general revenue expected to be collected in the coming year. The State Board of Equalization, an independent board not subject to legislative control, establishes the legislative appropriation authority. Unlike many states that use seasonal borrowing to meet cash demands, Oklahoma maintains a cash flow reserve sufficient

to meet fluctuating cash needs. General obligation indebtedness is prohibited without a vote of the people. When revenue receipts are less than estimated, the Director of Finance is mandated by the Oklahoma Constitution to declare a revenue shortfall and reduce appropriations as required to allow appropriations to be covered by current year tax collections.

The State's financial statements have been audited by the Office of the State Auditor and Inspector. The goal of the independent audit was to provide reasonable assurance that the financial statements of the State for the fiscal year ended June 30, 2013 are free of material misstatement. The audit was conducted in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and the significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that, based upon the audit, there was a reasonable basis for rendering an unqualified opinion and that the State of Oklahoma's financial statements for the fiscal year ended June 30, 2013 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

## **Internal Controls**

Management of the State of Oklahoma is responsible for the establishment and maintenance of internal accounting controls designed to ensure assets are safeguarded and financial transactions are properly recorded and adequately documented. Such internal controls require estimates and judgments from management so that, in attaining reasonable assurance as to the adequacy of such controls, the cost does not exceed the benefit obtained.

## **Budget and Fiscal Policy**

The budget process begins when each agency, other than the legislature, that expends money through the State treasury submits an annual budget request to the OMES. Copies are also provided to the legislative fiscal staffs. These requests are reviewed and analyzed for the Governor by the OMES. The Governor then makes formal recommendations in the "Executive Budget" which is presented to the Legislature on the first day of the legislative session. During the legislative session, legislative committees review agency needs and recommend appropriation levels. Then the Legislature must approve all appropriation bills to fund agency operations for the next fiscal year. Appropriation bills provide for State appropriated funds and establish spending limits for State agencies. The Governor can accept, reject or line-item veto particular legislative appropriations. Prior to encumbering or spending money in the fiscal year, each agency must submit a Budget Work Program to the OMES. The program outlines, by object of expenditure, fund source, and program category, how the agency plans to spend the available State, federal and revolving funds during the fiscal year. The OMES must approve an agency's budget work program before agencies can encumber or spend available funds.

Oklahoma's Constitution restricts total appropriations to 95% of estimated general revenues. The Board of Equalization is responsible for approving the official itemized estimate of revenues based upon information provided by the OMES and the Oklahoma Tax Commission and sets the amount of legislative appropriations authority. The Board is comprised of six elected officials and the President of the State Board of Agriculture. The six elected officials are the Governor, the State Auditor and Inspector, the State Treasurer, the Lieutenant Governor, the Attorney General, and the Superintendent of Public Instruction.

The Constitution requires that collections in excess of the Board of Equalization's itemized estimate of General Revenue Fund revenues be deposited to the Stabilization or "Rainy Day Fund" each year until the balance of the Rainy Day Fund equals 15% of the prior fiscal year's General Revenue Fund certified appropriations authority. In November of 2004, the voters of Oklahoma enacted new restrictions on the use of the Rainy Day Fund. Up to one-fourth of the July 1 balance each year may be appropriated upon an emergency declaration by the Governor with concurrence of two-thirds of the House and Senate, or by a declaration of an emergency by the Speaker of the House and President-Pro Tempore of the Senate with concurrence of three-fourths of the members of each house. Up to three-eighths of the fund may be accessed if the Board of Equalization is forecasting a decline in State revenues for the coming fiscal year and up to three-eighths may be utilized in the event of a current year revenue shortfall.

The State also has an oversight process for the issuance of debt. The Council on Bond Oversight is responsible for the review and approval of all debt issued by the State, its agencies and public trusts, and performs an assessment of all capital leases.

### **Proprietary Operations**

The State's proprietary operations are comprised of governmental agencies and quasi-governmental agencies providing goods and/or services to the public on a user charge basis. These activities are financed and operated in a manner similar to private business enterprises. They operate with the intent to recover the costs of operations from those directly benefiting from the goods or services. Some of the activities included in the State's proprietary operations are power generating plants, turnpikes, medical services, and insurance and financing services for both public and private entities.

### **Capital Assets**

These financial statements include the capital assets of the State. A discussion of capital assets accounting is included in the Management Discussion and Analysis that is part of the Basic Financial Statements. More detailed information about capital assets can be found in the Notes to the Financial Statements.

### **Debt Administration**

General obligation bonds are backed by the full faith and credit of the State, including the State's power to levy additional taxes to ensure repayment of the debt. Accordingly, all general obligation debt currently outstanding was approved by a vote of the citizens. The general obligation bonds of the State are rated "Aa2" by Moody's Investors Service, "AA+" by Fitch Investors Service, and "AA+" by Standard and Poor's Corporation. Prior to a 1993 general obligation bond program, except for refunding bonds, the State last issued general obligation bonds in 1968. Certain maturities of those bonds were advance refunded in 1977, 2003, and again in 2011. As of June 30, 2013, the outstanding general obligation net debt of the State of Oklahoma was \$137 million. This figure excludes the self-supporting taxable bonds of the Oklahoma Industrial Finance Authority, which are secured by the repayment of loans made to private businesses. State revenues have never been required to support debt service payments on these obligations.

Various agencies, trusts, and authorities issue revenue bonds on behalf of the State of Oklahoma, and these obligations are supported solely by the revenues of the issuing entities. Revenues may include appropriations to the respective entities. More detailed information about long-term obligations can be found in the Notes to the Financial Statements.

## **ECONOMIC CONDITIONS AND OUTLOOK**

Oklahoma, long known as primarily an energy and agriculture state, has established itself in recent years as a state on the move, with an ever-diversifying economy featuring growth in such areas as aerospace-aviation and manufacturing.

More than 143,000 people were directly or indirectly employed by more than 500 aerospace and defense-related companies in the state in 2013 at salaries averaging nearly \$60,000 a year. The industry had a \$5 billion annual payroll, creating more than \$12 billion in economic activity. In 2012, aerospace-related products accounted for the largest segment of \$6.6 billion in Oklahoma exports.

Oil and natural gas have been vital to the Oklahoma economy since statehood. Technological advancements in oil and natural gas drilling continued to contribute in a big way to the Oklahoma economy in 2013. Most of the new drilling was tied to the shale oil revolution that is bringing the nation closer to energy independence.

Manufacturing job growth has gone hand-in-hand with expansion of the energy and aerospace sectors as Oklahoma recovers from the Great Recession more quickly than most other states. During 2012, monthly reports on several occasions showed Oklahoma ranking from first to third in manufacturing job growth among the states.

Agriculture is also vital to the Oklahoma economy. The state ranks among the top ten producers of wheat, peanuts, grain, sorghum, pecans, rye, cattle, and hogs. The state's horse industry is among the largest in the country.

Other important industries include health care, finance, tourism, warehousing and distribution, and food processing and packaging. And the state's industry portfolio is quickly expanding in such areas as biosciences, renewable energy, corporate services and meteorological services.

Oklahoma is well-positioned to attract varied industries because it is strategically located for expanding markets. It has a highly-skilled work force, a high quality of life and a low cost of doing business. Manufacturers and other businesses in Oklahoma enjoy low energy costs and benefit from the state's crossroads location in the south central region of the country, with access to all forms of transportation. Two major interstates, I-40 and I-35, intersect in Oklahoma City, the state capital.

The state's political leadership has taken steps to make sure Oklahoma strengthens its reputation as one of the nation's most business-friendly states. Since Governor Mary Fallin took office in January 2011, Oklahoma had gained about 54,000 jobs through August 2013, according to the Oklahoma Department of Commerce. Oklahoma has consistently had an unemployment rate well below the national average and below the jobless rate of bordering states.

Oklahoma has always been a good place to live and work because of its friendly people, low cost of living and ample recreational opportunities. Now it is firmly in the top tier of states whose economic future looks solid, barring external events beyond its control, such as complications associated with fiscal uncertainty in the federal government.

Oklahoma has vibrant metropolitan areas and its two largest cities, Oklahoma City and Tulsa, have been singled out in national surveys for their economic strength and other qualities. In modern Oklahoma, optimism for the future among the state's citizens is as high as the gleaming, 50-story Devon Tower, which opened for business in 2012 in downtown Oklahoma City.

That optimism was enhanced on April 3, 2013, when General Electric Co. announced it will build a \$110 million global research facility in the state that will be dedicated to innovation in the oil and gas sector and bringing products to market faster.

Devon Energy, Chesapeake Energy, ONEOK and Williams – all Fortune 500 companies – are headquartered in Oklahoma and have long been among the leading national players in energy exploration. Chesapeake is the second-largest producer of natural gas in the country. In addition, Continental Resources and SandRidge Energy are among the Oklahoma-based energy companies that have major exploration operations in other states.

AT&T and Cox Enterprises, also Fortune 500 companies, have regional headquarters in the state. Two other Oklahoma-based companies, Love's Travel Stops (18<sup>th</sup>) and Hobby Lobby (198<sup>th</sup>), are on *Forbes'* list of largest private employers in 2012.

Many expanding businesses or new employers in Oklahoma take advantage of the Oklahoma Training for Industry program, developed by the state's CareerTech agency, which is rated as one of the most sophisticated in the nation for delivering high quality customized training.

Tinker Air Force Base in Oklahoma City is the state's largest employer. Air Force bases also are located at Altus and near Enid, while Lawton benefits from the Fort Sill army base. Other major federal installations in Oklahoma include the Federal Aviation Administration's training center in Oklahoma City and the National Weather Service's storm tracking and research facilities in Norman. The Federal Enterprise Services Center, located in Oklahoma City, handles the back-office business needs of a host of federal agencies by providing accounting and information technology services.

Tulsa is home to American Airlines' Maintenance and Engineering Base. American, which is in the process of merging with US Airways, is one of several aerospace companies that have a significant presence in Tulsa, the state's second-largest city.

Oklahoma's residents have many outdoor recreational opportunities and major entertainment districts are located in Oklahoma City and Tulsa, which have both undergone a renaissance in their downtown areas in recent years.

The state has some of the most diverse terrain in the country – everything from pine-topped mountains and cypress swamps in eastern Oklahoma to unique rock formations and sand dunes in the western areas. With over 200 lakes and rivers, Oklahoma is a haven for boating, fishing and other outdoor activities.

There is something to do for everyone in Oklahoma, where museums tell of the state's colorful history and pioneer spirit. In Tulsa, Native American art and artifacts are on display at the Gilcrease Museum, or visitors can stop by the renowned Philbrook Museum of Art or travel north to see the Will Rogers Museum in Claremore.

In Oklahoma City, top attractions include the Oklahoma City National Memorial, the National Cowboy and Western Heritage Museum, Bricktown and the State Capitol. The Sam Noble Museum of Natural History is located in nearby Norman on the University of Oklahoma campus.

Settlers in the 46<sup>th</sup> state were a diverse group, and the state is home to nearly 40 federally-recognized Native American tribes, who contribute significantly to the state's economy.

Some highlights of Oklahoma's economy over the past two years are:

- Oklahoma's unemployment rate was 5.5 percent in October 2013, the 12<sup>th</sup> lowest rate among the states. Over the last two years, Oklahoma has consistently had a jobless rate far below that of the country as a whole and less than any of its six bordering states.
- Oklahoma's economic progress has produced surplus state revenues in recent years, replenishing the depleted Rainy Day Fund. After a record deposit of \$328.3 million from the General Revenue Fund in Fiscal Year 2012 and a transfer from the fund of \$45 million for emergency tornado relief in Fiscal Year 2013, the Rainy Day Fund ended the year with a balance of \$535.2 million.
- General Electric Company announced in 2013 that the Oklahoma City area had been chosen as the location of its eighth global research center. The new center will employ 125 high-tech engineers devoted to innovation in the oil and gas sector.
- In 2013, *Southern Business and Development* ranked Oklahoma among the top 10 states in aerospace employment in Oklahoma, citing the economic impact of Tinker Air Force Base and the many aerospace-related companies located in the state. It called Tulsa's aviation industry a major contributor to businesses worldwide.
- Governor Fallin teamed with Colorado Governor John Hickenlooper in 2012 to head up a 22-state effort to grow demand for compressed natural gas (CNG) vehicles by converting state-owned vehicles to run the alternative fuel, which is now abundantly available in the United States. CNG cuts carbon emissions and costs less to burn. In 2013, as chairwoman of the National Governor's Association, Governor Fallin continued to provide leadership to increase demand for CNG. In March 2013, she accepted delivery of the first of 242 CNG-fueled pickup trucks to be used by the Oklahoma Department of Transportation and other state agencies.
- In 2013, *Apartment Guide* rated Tulsa No. 1 among cities with the most affordable luxury apartments. Oklahoma City was ranked ninth.
- Also in 2013, the National Association of Home Builders ranked Oklahoma City third out of 350 metropolitan areas for having the fastest recovery of its housing market since the Great Recession.

- Midwest City and the City of Moore were ranked first and second as the most affordable suburbs in the United States in 2013. The rankings, by Movoto Real Estate Blog, considered such things as the cost of housing, food, taxes, and utilities.
- In October 2012, Devon Energy announced plans to consolidate its U.S. personnel and relocate employees from Houston to its Oklahoma City headquarters. The company said the restructuring will bring 200 to 300 jobs to Oklahoma and improve its operations, while saving \$80 million annually.
- Voters in 2012 approved a plan to fund vital water resource and sewage treatment programs. Voters also adopted a constitutional amendment abolishing taxation of intangible personal property.
- U.S. Census data released in September, 2012 showed Oklahoma had a 12.4 percent increase in median household income between 2010 and 2011. That was by far the largest increase of any state.
- *The Business Journals* reported in 2012 that Oklahoma was one of only six states to recover all of their retail jobs lost during the recession, even adding 2,000 retail jobs. Also in 2012, *Thumbtack* surveyed 6,000 small businesses and proclaimed Oklahoma City as “the most business-friendly city” in the country.
- *CNNMoney* singled out Broken Arrow, Norman, Edmond and Moore as among the best small cities to live in 2012, covering such areas as job opportunities, good schools, low crime and quality of health care.
- In 2012, KPMG rated Oklahoma City as the least-costly medium-sized city in which to do business, while the capital city was ranked first for the lowest cost of living by CNBC.
- *The Fiscal Times* in 2012 ranked Tulsa as the second best city for young adults to find a job. It cited statistics that 4,000 people, ages 25 to 34, were hired the previous year at annual salaries exceeding \$50,000 in such areas as energy, aerospace and health care.
- In 2012, Oklahoma City was ranked first in the nation for several consecutive months by the *On Numbers Economic Index* for overall economic business strength for cities with populations over 500,000. *CareerBuilder.com* rated Oklahoma City sixth in job growth over a three-year period.
- The *Fraser Institute* ranked Oklahoma first in 2012 in its survey to determine “the best places in the world to do business in oil and gas”.
- Oklahoma came in at Number 6 in the 2012 rankings by *Business Facilities* for having the lowest cost of labor.
- The *U.S. Tax Foundation* in 2012 placed Oklahoma seventh on its list of states that have the best climate for business and careers.

Highlights of the fiscal year 2013 and fiscal year 2014 executive branch budgets include (expressed in millions):

	Amount Appropriated		Percentage of Total Appropriations		Increase (Decrease) from Prior Year		Percentage Increase (Decrease)	
	2013	2014	2013	2014	2013	2014	2013	2014
Department of Education	\$ 2,334	\$ 2,408	33%	34%	\$ 56	\$ 74	2%	3%
Regents for Higher Education	955	989	14%	14%	10	34	1%	4%
Career & Technical Education	135	138	2%	2%	1	3	1%	2%
Other Education	38	54	1%	1%	11	16	41%	42%
<b>Total Education</b>	<b>3,462</b>	<b>3,589</b>	<b>50%</b>	<b>51%</b>	<b>78</b>	<b>127</b>	<b>2%</b>	<b>4%</b>
Department of Health	62	63	1%	1%	3	1	5%	2%
Health Care Authority	922	954	14%	13%	10	32	1%	3%
Department of Mental Health	311	337	5%	5%	128	26	70%	8%
Other Health	42	57	1%	1%	4	15	11%	36%
<b>Total Health</b>	<b>1,337</b>	<b>1,411</b>	<b>21%</b>	<b>20%</b>	<b>145</b>	<b>74</b>	<b>12%</b>	<b>6%</b>
Department of Human Services	587	631	9%	9%	72	44	14%	7%
Office of Juvenile Affairs	96	98	1%	1%	-	2	0%	2%
Other Human Services	75	78	1%	1%	(3)	3	(4%)	4%
<b>Total Human Services</b>	<b>758</b>	<b>807</b>	<b>11%</b>	<b>11%</b>	<b>69</b>	<b>49</b>	<b>10%</b>	<b>6%</b>
Department of Corrections	464	464	7%	7%	4	0	1%	0%
Department of Transportation	206	209	3%	3%	99	3	93%	1%
Department of Public Safety	90	90	1%	1%	5	0	6%	0%
Other	511	513	7%	7%	18	2	4%	0%
<b>Total</b>	<b>\$ 6,828</b>	<b>\$ 7,083</b>	<b>100%</b>	<b>100%</b>	<b>\$ 418</b>	<b>\$ 255</b>	<b>7%</b>	<b>4%</b>

## FINANCIAL INFORMATION

### Governmental Functions

Most financial operations of the State are reported in governmental fund types, which are the General Fund and the Permanent Funds. Following are schedules of revenues and expenditures for these governmental funds. Note that the following tables present data according to GAAP for the fiscal year ended June 30, 2013, while previous tables have presented budgetary data for this and later periods. Transfers are primarily from the General Fund to support public institutions of higher education.

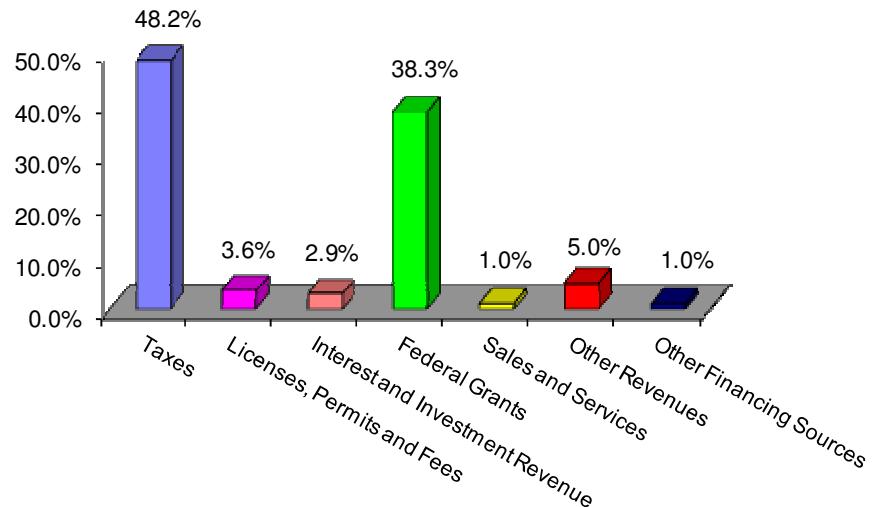
**Governmental Funds: Revenues and Other Financing Sources - GAAP Basis**  
(expressed in millions)

	2013 Amount	Percentage of Total	Increase (Decrease) from Prior Year	Percentage Increase (Decrease)
Taxes	\$ 8,370	48.2%	\$ (46)	(0.5%)
Licenses, permits and fees	627	3.6%	30	5.0%
Interest and investment revenue	509	2.9%	173	51.5%
Federal grants	6,647	38.3%	(288)	(4.2%)
Sales and services	175	1.0%	(16)	(8.4%)
Other revenues	865	5.0%	251	40.9%
Other financing sources:				
Transfers	68	0.4%	(5)	(6.8%)
Bond and note proceeds	90	0.5%	15	20.0%
Other	25	0.1%	0	0.0%
Total revenues and other financing sources	<u><u>\$ 17,376</u></u>	<u><u>100.0%</u></u>	<u><u>\$ 114</u></u>	0.7%

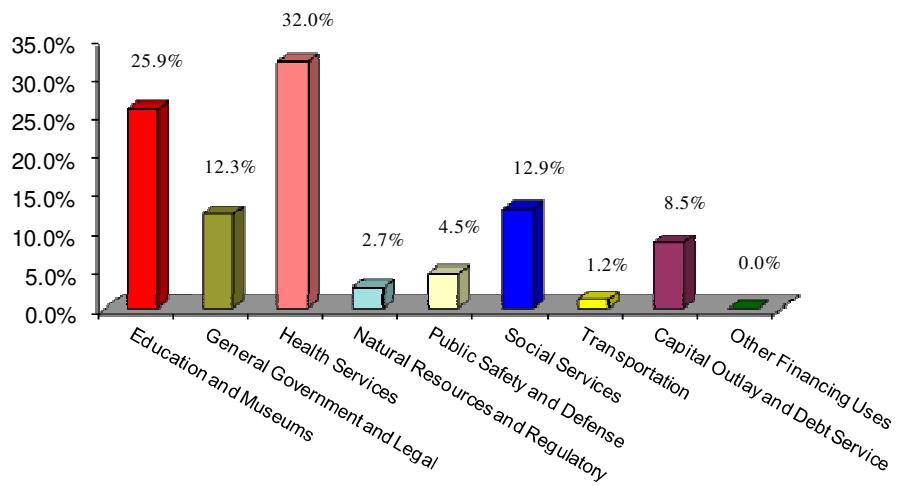
**Governmental Funds: Expenditures and Other Financing Uses - GAAP Basis**  
(expressed in millions)

	2013 Amount	Percentage of Total	Increase (Decrease) from Prior Year	Percentage Increase (Decrease)
Education	\$ 4,407	25.8%	\$ 12	0.3%
General government	1,858	10.9%	117	6.7%
Health services	5,447	32.0%	11	0.2%
Legal and judiciary	239	1.4%	8	3.5%
Museums	15	0.1%	1	7.1%
Natural resources	338	2.0%	126	59.4%
Public safety and defense	768	4.5%	3	0.4%
Regulatory services	122	0.7%	10	8.9%
Social services	2,197	12.9%	105	5.0%
Transportation	212	1.2%	4	1.9%
Capital outlay	1,104	6.5%	(198)	(15.2%)
Debt service	333	2.0%	139	71.6%
Other Financing Uses:				
Transfers	0	0.0%	(7)	(100.0%)
Total expenditures and other financing uses	<u><u>\$ 17,040</u></u>	<u><u>100.0%</u></u>	<u><u>\$ 331</u></u>	2.0%
Governmental Funds -				
Net increase in fund balance	<u><u>\$ 336</u></u>			

**Governmental Fund Revenues and Other Financing Sources (GAAP Basis) – Fiscal Year 2013**



**Governmental Funds Expenditures and Other Financing Uses (GAAP Basis) – Fiscal Year 2013**



## Revenue Collections and Estimates

As noted in a preceding subsection, the budget is prepared using cash available plus 95% of the itemized revenue estimate as approved by the State Board of Equalization. It should be noted that taxes deposited into the budgetary General Revenue Fund (GRF), as defined by Oklahoma law, are approximately 75% of the total tax revenues of the governmental funds, as defined by GAAP. However, the budgetary GRF should not be confused with the General Fund as presented in the accompanying GAAP-basis financial statements, as the two terms are not interchangeable. For example, the GAAP-basis General Fund includes revenues deposited to the State Transportation Fund, federal grant proceeds, revolving fund revenues, fees and charges as well as other money used in the general operations of government which are not considered in the Board of Equalization's estimates of tax revenues.

Receipts from two of the four major taxes (income tax and sales tax) were more than revenues of the prior year. The taxes combined for \$4.8 billion, or 100.1% of total GRF receipts for the prior year. The total of major taxes collected increased \$18 million or 0.4% from that of last year. As compared to fiscal year 2012, collections from income taxes increased by \$184 million, or 7.9%; sales taxes increased by \$71 million, or 3.9%; motor vehicle taxes decreased \$29 million, or 13.1%; and gross production taxes on gas and oil decreased by \$209 million, or 49%.

Oklahoma has established an enviable record in recent years for its revenue forecasting results. Since enactment of a constitutional amendment in 1985 establishing new revenue estimating procedures, collections have exceeded the estimate in seventeen years and dipped below the estimate eleven years. The comparison of estimated revenues to actual collections for fiscal year 2013 is as follows:

Revenue Collections Compared to Itemized Estimate for Fiscal 2013  
(expressed in millions)

	Itemized Estimate	Actual Collections	Over (Under) Estimate	Percentage Collected
<b>Individual and Corporate</b>				
Income tax	\$ 2,320.5	\$ 2,508.4	\$ 187.9	108.1%
Sales tax	1,924.3	1,900.8	(23.5)	98.8%
Motor vehicle tax	228.4	192.6	(35.8)	84.3%
Gross production tax	377.0	221.6	(155.4)	58.8%
Subtotal Major Taxes	<u>4,850.2</u>	<u>4,823.4</u>	<u>(26.8)</u>	<u>99.4%</u>
Other sources	751.1	780.7	29.6	103.9%
<b>Total</b>	<b>\$ 5,601.3</b>	<b>\$ 5,604.1</b>	<b>\$ 2.8</b>	<b>100.0%</b>

The fifteen-year comparative history of estimated to actual collections is shown in the following table.

Budgetary General Revenue Fund Comparisons  
(expressed in millions)

Fiscal Year	Itemized Estimate	Actual Collections	Over (Under) Estimate	Percentage Collected
1999	\$ 4,186	\$ 4,148	\$ (38)	99.1%
2000	4,271	4,354	83	101.9%
2001	4,456	4,693	237	105.3%
2002	4,829	4,413	(416)	91.4%
2003	4,725	4,186	(539)	88.6%
2004	4,396	4,613	217	104.9%
2005	4,545	4,957	412	109.1%
2006	5,149	5,715	566	111.0%
2007	5,708	5,966	258	104.5%
2008	5,845	5,981	136	102.3%
2009	5,981	5,544	(437)	92.7%
2010	5,415	4,622	(793)	85.4%
2011	4,889	5,138	249	105.1%
2012	5,236	5,564	328	106.3%
2013	5,601	5,604	3	100.1%
Fifteen-Year Average	\$ 5,016	\$ 5,033	\$ 18	100.4%

The status of three important fund balances affecting the new year's fiscal picture is explained as follows:

**Cash-Flow Committed Fund** – Each year, 10% of the General Revenue Fund's certified appropriation level is set aside to meet anticipated monthly cash flow needs for the new fiscal year. At the close of fiscal year 2013, the amount the State set aside was \$559.5 million.

**General Revenue Fund** – In fiscal year 2013, there were amendments to the budget that added \$74 million. \$54.9 million was added to the budget for prior year carryover compared to a \$66.2 million carryover in fiscal year 2012. Carryover funds reflect the difference between the 95% appropriation limit and actual receipts up to 100% of the estimate. Funds required to replenish or increase the cash-flow committed fund also come from this source. An additional \$8.4 million was added to fund a portion of the ad valorem reimbursement to schools. A supplemental amount of \$8.5 million was appropriated for the education function of government to fund a shortage for employee benefit costs. Another \$2.3 million of supplementary funding was added to provide funding for programs in emergency management and public safety.

**Constitutional "Rainy Day" Fund** - At the start of each fiscal year, collections that exceed the estimate for the preceding year are automatically deposited in the Rainy Day Fund until the total balance equals 15% of the prior year's certified collections for the General Revenue Fund. As a result of different triggers for making the funds available for use, any amounts deposited to the fund are split between unassigned and restricted fund balance. For the fiscal year beginning July 1, 2013, the restricted portion had a balance of \$401.4 million and the unassigned portion had a balance of \$133.8 million, giving the total Constitutional Fund a balance of \$535.2 million.

## FOR THE FUTURE

State government continues to focus on critical issues to ensure that the State capitalizes on its inherent potential for growth. Sustained efforts in creating a business friendly environment through changes in tax structure and economic reforms are essential for creating a bright, strong future. In addition, the State will continue to improve the efficiency of government through consolidations of information technology and financial services.

Oklahoma's executive management will continue to lead in promoting improvement in these key areas to improve the lives of all Oklahomans. With the Governor's leadership, Oklahoma will continue to make investments in a high quality educational system where all students can succeed, encourage the improved health of Oklahoma's citizens and encourage investors to allow their money to work and grow in Oklahoma, creating more jobs and higher incomes.

## CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Oklahoma for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial report.

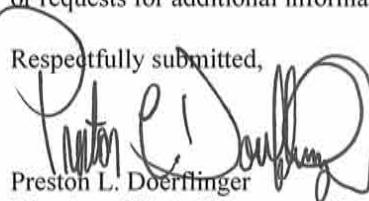
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Since 1996, the State of Oklahoma has received the Certificate of Achievement. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

## ACKNOWLEDGMENTS

The Office of Management and Enterprise Services is pleased to recognize and commend the efforts of the numerous individuals across the State who made this Comprehensive Annual Financial Report possible. Questions or requests for additional information related to this report can be directed to our office at (405) 521-2141.

Respectfully submitted,



Preston L. Doerflinger  
Director of State Finance and Revenue



Lynne Bajema

Lynne Bajema  
State Comptroller



Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**State of Oklahoma**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

A handwritten signature in black ink that reads "Jeffrey R. Emmer". The signature is fluid and cursive, with "Jeffrey" on the top line and "R. Emmer" on the bottom line.

Executive Director/CEO

## SELECTED OKLAHOMA STATE OFFICIALS

June 30, 2013

### Citizens of Oklahoma

LEGISLATIVE BRANCH
<u>Senate</u> Brian Bingman, President Pro Tempore
<u>House of Representatives</u> T.W. Shannon, Speaker of the House

### EXECUTIVE BRANCH

<u>Governor</u> Mary Fallin
<u>Lieutenant Governor</u> Todd Lamb
<u>* Secretary of State</u> Chris Benge
<u>State Auditor and Inspector</u> Gary Jones
<u>Attorney General</u> E. Scott Pruitt
<u>State Treasurer</u> Ken Miller
<u>Superintendent of Public Instruction</u> Janet Barresi
<u>Commissioner of Labor</u> Mark Costello
<u>Commissioner of Insurance</u> John Doak
<u>Commissioners of the Corporation Commission</u> Patrice Douglas Bob Anthony Dana Murphy

### JUDICIAL BRANCH

<u>* State Supreme Court</u> Tom Colbert, Chief Justice
<u>* Court of Criminal Appeals</u> David Lewis, Presiding Judge

\* Appointed position

### CABINET DEPARTMENT SECRETARIES

Agriculture	Finance, Administration, &	Science & Technology
Commerce	Information Technology	Secretary of State
Education & Workforce	Health & Human Services	Tourism
Development	Military	Transportation
Energy & Environment	Safety & Security	Veterans Affairs

The Cabinet Secretaries are appointed by the Governor with the approval of the Senate. Many of the secretaries are also heads of the Executive Branch agencies. State agencies are assigned to a cabinet department by the Governor. The specific agency assignments to each cabinet are shown on the next page. Agency numbers are listed to the left of the agency name.

## STATE AGENCIES BY CABINET

305	Office of the Governor		140	Podiatric Medical Examiners, Bd. Of
440	Office of the Lieutenant Governor			Psychologists, Bd. of Examiners
<b><u>Agriculture</u></b>				
40	Agriculture, Department of	185	575	Rehabilitative Services
39	Boll Weevil Eradication Org.	359	805	Speech-Lang. Pathology & Aud. Bd.
645	Conservation Commission	292	632	Tobacco Settle. End. Trust Bd. of Dir.
615	Foresters, Board of Registered	920	092	Uniform Building Code Commission
535	Peanut Commission	980	753	University Hospitals Authority
875	Wheat Commission	307	825	
790	Veterinary Medical Examiners Board	445		
353	Horse Racing Commission	444		
<b><u>Commerce</u></b>				
160	Commerce, Department of	320	25	<b><u>Military</u></b>
290	Employment Security Commission			Military Department
922	Housing Finance Authority			
370	Industrial Finance Authority			<b><u>Safety and Security</u></b>
405	Labor, Department of *			ABLE Commission
<b><u>Education and Workforce Dev.</u></b>				Attorney General *
44	Anatomical Board	65		Narcotics & Dang. Drugs, Bureau of
800	Career & Technology Education	582		Civil Emergency Mgmt, Dept. of
266	Educational TV Authority	91		Corrections Department
265	Education, Department of *	981		District Attorney's Council
361	Native American Cultural/Ed. Auth	117		Indigent Defense System
619	Physicians Manpower Trng. Comm.	635		Investigation, Bureau of
563	Private Vocational School, Board of	900		Law Enf. Educ. & Trng., Council on
605	Regents for Higher Education	315		Medicolegal Investigations, Bd. of
629	School of Science & Mathematics	355		Pardon and Parole Board
618	Student Loan Authority	385		Public Safety, Department of
269	Teacher Preparation, Comm. for	410		Fire Marshal, State
<b><u>Colleges and Universities:</u></b>				
100	Cameron University	90		<b><u>Science and Technology</u></b>
108	Carl Albert State College	298		Center f/t Adv. of Sci. & Technology
165	Connors State College	475		Space Industry Development Auth.
230	East Central University	557		
240	Eastern Oklahoma State College	570		<b><u>Secretary of State</u></b>
420	Langston University	515		CompSource Oklahoma
470	Murray State College	588		Election Board
480	Northeastern Okla. A & M College	630		Ethics Commission
485	Northeastern State University	622		Judicial Complaints, Council on
490	Northern Oklahoma College	695		Library Department
505	Northwestern Oklahoma State Univ.	715		Secretary of State
530	Oklahoma Panhandle State Univ.	740		
10	Oklahoma State University	755		<b><u>Tourism</u></b>
761	Oklahoma University Law Center			Arts Council
633	Oklahoma City Community College	448	55	Historical Society
770	Okl. University Health Science Ctr.	772	350	J.M. Davis Memorial Commission
773	OSU -College of Osteopathic Medicine	127	204	Qtz Mtn. Arts/Conf. Cntr/Nat. Pk.
14	OSU -College of Veterinary Medicine	145	620	Scenic Rivers Comm.
11	OSU -Experiment Station	783	568	Tourism & Recreation, Dept. of
12	OSU -Extension Division	170	566	Will Rogers Memorial Commission
13	OSU -School of Tech. Training	190	880	
15	OSU -Technical Institute of OKC	215		
16	OSU -Tulsa	285		<b><u>Transportation</u></b>
771	OU Health Sci. Ctr. Prof. Prac. Plan	326		Okl. Turnpike Authority
241	Redlands Community College	807		Transportation, Department of
600	Regents for A&M Colleges	340		Aeronautics Commission
610	Regents for Oklahoma Colleges	830		
461	Rogers State University	360		<b><u>Veterans Affairs</u></b>
531	Rose State College	670	650	Veterans Affairs, Department of
623	Seminole State College	400		
660	Southeastern Oklahoma State Univ.	450		
665	Southwestern Oklahoma State Univ.	452		
750	Tulsa Community College	510		
758	University Cntr of Southern Ok	509		
120	University of Central Oklahoma	520		
760	University of Oklahoma	525		
150	Univ. of Science and Arts of Okla.	343		
41	Western Oklahoma State College	560		

\* Agency is headed by a statewide elected official or their controlling board is made up of elected officials. They are assigned to a cabinet department for purposes of coordinating services and programs on

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The Guardian



## Financial Section

# **Financial Section**



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

## INDEPENDENT AUDITOR'S REPORT

### TO THE GOVERNOR AND MEMBERS OF THE LEGISLATURE OF THE STATE OF OKLAHOMA

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oklahoma as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit:

- the financial statements of the Water Resources Board which in the aggregate represent forty-nine percent of the assets, twenty-eight percent of the net position and three percent of the revenues of the enterprise funds;
- the financial statements of the Oklahoma Municipal Power Authority, University of Oklahoma, University of Oklahoma – Health Sciences Center, Oklahoma Student Loan Authority, Oklahoma State University – Foundation, Grand River Dam Authority, Oklahoma State University, Oklahoma Turnpike Authority, University of Oklahoma – Foundation, Oklahoma Housing Finance Authority, CompSource, and the Regents for Higher Education, which in the aggregate represent eighty-four percent of the assets, eighty-two percent of the net position and sixty-three percent of the revenues for the aggregate discretely presented component units;
- the financial statements of the Commissioners of the Land Office permanent fund, and the Tobacco Settlement Endowment permanent fund, which in the aggregate represent ninety-eight percent of the assets, ninety-seven percent of the fund balance and ninety-nine percent of the revenues of the permanent funds; and
- the financial statements of the Oklahoma Public Employees Retirement System and the Oklahoma Teachers Retirement System, which in the aggregate represent eighty-one percent of the assets, eighty percent of the net position and eighty-three percent of the additions of the aggregate remaining fund information.

Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above-mentioned entities, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to

design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oklahoma, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Emphasis of Matter***

As discussed in Note 14, the Teacher's Retirement System's actuary has determined that the System's unfunded actuarial accrued liability is approximately \$8,112,000,000. The funding of the actuarial liabilities is predicated on a funding schedule mandated by Oklahoma Statutes. Under the present funding schedule, the UAAL will be fully amortized in 17 years.

Also, as discussed in Note 1, the Multiple Injury Trust Fund (MITF) had a net deficit or negative net position of approximately \$302,937,000 at December 31, 2012 primarily due to court awards exceeding the apportionment of special tax revenue collected.

As discussed in Note 1, the State of Oklahoma has adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective July 1, 2012. Our opinion is not modified with respect to this matter.

#### ***Other Matters***

##### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule-Budget to Actual (Non-GAAP Budgetary Basis) General Fund, and the Notes to Required Supplementary Information-Budgetary Reporting, as listed in the table of contents, and the Schedules of Funding Progress for the Wildlife Conservation Plan, Oklahoma Law Enforcement Retirement System, and the Uniform Retirement System for Judges and Justices presented in Note 14 to the basic financial statements be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Auditing Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

##### ***Other Information***

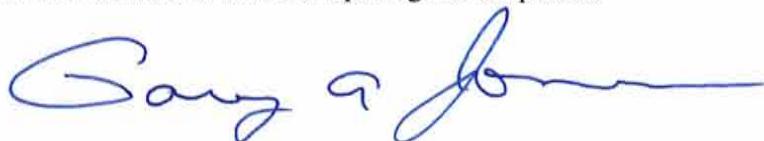
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Oklahoma's basic financial statements. The introductory section, combining financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2013, on our consideration of the State of Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Oklahoma's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with "Gary" on the left and "A. Jones" on the right, with a horizontal line extending from the end of "Jones".

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

December 31, 2013

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Hall of Governors

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# Management Discussion & Analysis

# **Management Discussion & Analysis**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the State of Oklahoma provides this *Management's Discussion and Analysis* of the State of Oklahoma's Comprehensive Annual Financial Report (CAFR) for readers of the State's financial statements. This narrative overview and analysis of the financial activities of the State of Oklahoma is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the additional information that is furnished in the Letter of Transmittal, which can be found preceding this narrative, and with the State's financial statements which follow.

### FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT

#### **Government-Wide Highlights:**

*Net Position* - The assets plus deferred outflows of resources for the State exceeded its liabilities and deferred inflows of resources at fiscal year ended June 30, 2013 by \$17.5 billion (presented as "net position"). Of this amount, \$2.2 billion was reported as "unrestricted net position". Unrestricted net position represents the amount available to be used to meet the State's ongoing obligations to citizens and creditors.

*Changes in Net Position* - The State's total net position increased by \$949 million (a 5.8% increase) in fiscal year 2013 after a 10.1% increase during the previous fiscal year. Net position of governmental activities increased by \$634 million (a 4.3% increase), while net position of the business-type activities showed an increase of \$315 million (a 19.2% increase).

#### **Fund Highlights:**

*Governmental Funds - Fund Balances* - As of the close of fiscal year 2013, the State's governmental funds reported a combined ending fund balance of \$6.7 billion, an increase of \$336 million in comparison with the prior year. Of this total amount, \$2.9 billion represents nonspendable fund balance, with \$85 million being in the General Fund. Amounts that can be spent include \$1.3 billion of restricted fund balance, \$2.3 billion of committed fund balance, \$63 million of assigned fund balance, and \$173 million of unassigned fund balance. The portion of fund balance which is available is roughly 23% of the total governmental expenditures for the year.

#### **Long-term Debt:**

The State's total long-term debt obligations showed a net decrease of \$85.1 million (3.9%) in the governmental type activities and a net increase of \$99.3 million (11.7%) in the business type activities during the current fiscal year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the State of Oklahoma's Basic Financial Statements. The State's Basic Financial Statements include three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements. This report also contains additional Required Supplementary Information (budgetary schedules) and Other Supplementary Information (Combining Financial Statements) in addition to the Basic Financial Statements themselves. These components are described below:

## **Basic Financial Statements**

The Basic Financial Statements include two kinds of financial statements that present different views of the State – the *Government-Wide Financial Statements* and the *Fund Financial Statements and Combining Major Component Unit Financial Statements*. These financial statements also include the *Notes to the Financial Statements* that explain some of the information in the financial statements and provide more detail.

### ***Government-Wide Financial Statements***

The *Government-Wide Financial Statements* provide a broad view of the State's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the State's financial position, which assists in assessing the State's economic condition at the end of the fiscal year. These are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This means they follow methods that are similar to those used by most businesses. They take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid. The Government-Wide Financial Statements include two statements:

The *Statement of Net Position* presents all of the government's assets and liabilities in addition to deferred inflows and outflows, with the difference between the four reported as "net position". Over time, increases or decreases in the State's net position may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the State.

Both of the above financial statements have separate sections for three different types of State programs or activities. These three types of activities are:

*Governmental Activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal grants). Most services normally associated with State government fall into this category, including education (support for both common public schools and higher education), general government, health services, legal and judiciary services, museums, natural resources, public safety and defense, regulatory services, social services, and transportation.

*Business-Type Activities* – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the State include the operations of the Oklahoma Unemployment Insurance Trust Fund (by the Oklahoma Employment Security Commission), the State's program for making loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems (by the Oklahoma Water Resources Board), administering the insurance benefits for State employees and education workers (by the Employees Group Insurance Division of the Office of Management and Enterprise Services), and the Oklahoma Lottery Commission. These four programs operate with minimal assistance from the governmental activities of the State.

*Discretely Presented Component Units* – These are operations that have certain independent qualities but for which the State has financial accountability. For the most part, these entities operate similar to private-sector businesses and the business-type activities described above. The State's discretely presented component units are presented in two categories, major and nonmajor. This separation is determined by the relative size of the entities' assets, liabilities, revenues and expenses in relation to the total of all component units.

The State's seven discretely presented major component units are:

CompSource Oklahoma  
Oklahoma Student Loan Authority

Oklahoma Housing Finance Agency  
Oklahoma Turnpike Authority  
Grand River Dam Authority  
Oklahoma Municipal Power Authority  
Higher Education Component Unit

The State's eight other (or nonmajor) component units are combined into a single column for reporting in the Fund Financial Statements. These nonmajor component units are:

Oklahoma Educational Television Authority  
Oklahoma Industrial Finance Authority  
Health Insurance High Risk Pool  
Multiple Injury Trust Fund  
University Hospitals Authority  
Oklahoma Development Finance Authority  
Oklahoma Capital Investment Board  
Oklahoma State University Medical Authority

*The State Government Administrative Process Consolidation and Reorganization Reform Act of 2011* (HB 2140) consolidated the Oklahoma State Employees and Education Group Insurance Board (OSEEGIB), a major component unit, into the Office of Management and Enterprise Services, a governmental fund agency. By statute, the administrative functions of OSEEGIB were consolidated as of December 31, 2011. Beginning in fiscal year 2013, OSEEGIB has changed names to the Employees Group Insurance Division of the Office of Management and Enterprise Services (EGID) and will be considered part of the general government.

Complete financial statements of the individual component units can be obtained from their respective administrative offices. Addresses and other additional information about the State's component units are presented in the Notes to the Financial Statements.

The Government-Wide Financial Statements can be found immediately following this discussion and analysis.

#### ***Fund Financial Statements and Major Component Unit Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Fund Financial Statements focus on individual parts of the State government, reporting the State's operations in more detail than the Government-Wide Financial Statements. All of the funds of the State can be divided into three categories. It is important to note that these fund categories use different accounting approaches and should be interpreted differently. The three categories of funds are:

*Governmental Funds Financial Statements* – Most of the basic services provided by the State are financed through governmental funds. Governmental funds are essentially used to account for the same functions as governmental activities in the Government-Wide Financial Statements. However, unlike the Government-Wide Financial Statements, the Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. This is known as using the flow of current financial resources measurement focus approach and the modified accrual basis of accounting. These statements provide a detailed short-term view of the State's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the State.

Because the focus of governmental funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental

Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented on the page immediately following each Governmental Fund Financial Statement.

The State has four governmental funds. All four governmental funds are considered major funds for financial reporting purposes. These four major funds are – the General Fund, the Commissioners of the Land Office Permanent Fund, the Department of Wildlife Conservation Permanent Fund, and the Tobacco Settlement Endowment Permanent Fund. Each major fund is presented in a separate column in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances.

The basic Governmental Funds Financial Statements can be found immediately following the Government-Wide Financial Statements.

*Proprietary Funds Financial Statements* – These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge fees for services provided to outside customers including local governments, they are known as enterprise funds. Proprietary funds provide the same type of information as the Government-Wide Financial Statements, only in more detail. Like the Government-Wide Financial Statements, Proprietary Fund Financial Statements use the accrual basis of accounting. There is no reconciliation needed between the Government-Wide Financial Statements for business-type activities and the Proprietary Fund Financial Statements.

The State has four enterprise funds, with all four being considered major proprietary funds for presentation purposes. As previously mentioned, they are the operations of the Oklahoma Unemployment Insurance Trust Fund (by the Oklahoma Employment Security Commission), the State's program for making loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems (by the Oklahoma Water Resources Board), the administration of insurance benefits for State employees by the EGID of the Office of Management and Enterprise Services, and the Oklahoma Lottery Commission.

The basic Proprietary Funds Financial Statements can be found immediately following the Governmental Fund Financial Statements.

*Fiduciary Funds and Similar Component Units Financial Statements* – These funds are used to account for resources held for the benefit of parties outside the State government. Fiduciary funds are not reflected in the Government-Wide Financial Statements because the resources of these funds are not available to support the State's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. They use the accrual basis of accounting.

The State's fiduciary funds are the Pension Trust Funds (seven separate retirement plans for employees), and the Agency Funds (which account for the assets held for distribution by the State as an agent for other governmental units, other organizations or individuals). Individual fund detail can be found in the Combining Financial Statements described below.

The basic Fiduciary Funds and Similar Component Units' Financial Statements can be found immediately following the Proprietary Fund Financial Statements.

*Component Units Financial Statements* – As mentioned above, these are operations for which the State has financial accountability but they have certain independent qualities as well, and they operate similar to private-sector businesses. The Government-Wide Financial Statements present information for the component units in a single column of the Statement of Net Position. Also, some information on the Statement of Changes in Net Position is aggregated for component units. The Combining Statement of Net Position and Combining Statement of Changes in Net Position provide detail for each major component unit and the nonmajor component units in aggregate. Individual nonmajor component unit detail can be found in the Combining Financial Statements described below.

The basic Combining Financial Statements for major component units can be found immediately following the Fiduciary Fund and Similar Component Unit's Financial Statements.

### ***Notes to the Financial Statements***

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to the Financial Statements can be found immediately following Component Units Financial Statements.

### **Required Supplementary Information**

The Basic Financial Statements are followed by a section of Required Supplementary Information. This section includes the Budgetary Comparison Schedule – Budget to Actual (Non-GAAP Budgetary Basis), which includes a schedule of reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the General Fund as presented in the Governmental Fund Financial Statements.

### **Other Supplementary Information**

#### ***Combining Financial Statements***

The Combining Financial Statements referred to earlier in connection with fiduciary funds and nonmajor component units are presented following the Required Supplementary Information. The total of the columns of these Combining Financial Statements carry to the applicable fund financial statement.

#### ***Budgetary Detail***

The Schedule of Expenditures and Intra-Agency Transfers – Detail Budget to Actual Comparison is presented in this section. It provides detail comparisons of expenditures and intra-agency transfers at the legal level of control. Comparisons can be made between the original budget, final budget, and actual.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. The State's combined net position (government and business-type activities) totaled \$17.5 billion at the end of 2013, compared to \$16.5 billion at the end of the previous year.

The largest portion of the State's net position (55.3%) reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (road, bridges, and other immovable assets), less any related outstanding debt used to acquire those assets. The State uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**State of Oklahoma's Net Position-Primary Government**

(expressed in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current Assets	\$ 4,855,850	\$ 4,763,461	\$ 1,803,715	\$ 1,402,507	\$ 6,659,565	\$ 6,165,968
Capital Assets	10,760,242	10,489,032	1,037	864	10,761,279	10,489,896
Other Assets	3,579,351	3,302,344	1,253,713	1,245,323	4,833,064	4,547,667
<b>Total Assets</b>	<b>19,195,443</b>	<b>18,554,837</b>	<b>3,058,465</b>	<b>2,648,694</b>	<b>22,253,908</b>	<b>21,203,531</b>
Deferred Outflows	10,456	11,651	-	-	10,456	11,651
Noncurrent Liabilities	1,871,683	1,960,639	813,477	792,498	2,685,160	2,753,137
Other Liabilities	1,730,611	1,712,837	273,514	212,837	2,004,125	1,925,674
<b>Total Liabilities</b>	<b>3,602,294</b>	<b>3,673,476</b>	<b>1,086,991</b>	<b>1,005,335</b>	<b>4,689,285</b>	<b>4,678,811</b>
Deferred Inflows	108,364	31,607	13,442	254	121,806	31,861
Invested in Capital Assets, Net of Related Debt	9,650,570	9,276,840	1,037	864	9,651,607	9,277,704
Restricted	4,224,862	3,957,319	1,353,998	1,102,997	5,578,860	5,060,316
Unrestricted	1,619,809	1,627,246	602,997	539,244	2,222,806	2,166,490
<b>Total Net Position</b>	<b>\$ 15,495,241</b>	<b>\$ 14,861,405</b>	<b>\$ 1,958,032</b>	<b>\$ 1,643,105</b>	<b>\$ 17,453,273</b>	<b>\$ 16,504,510</b>

A portion of the State's net position (32%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the State's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net position.

At the end of the current fiscal year, the State is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

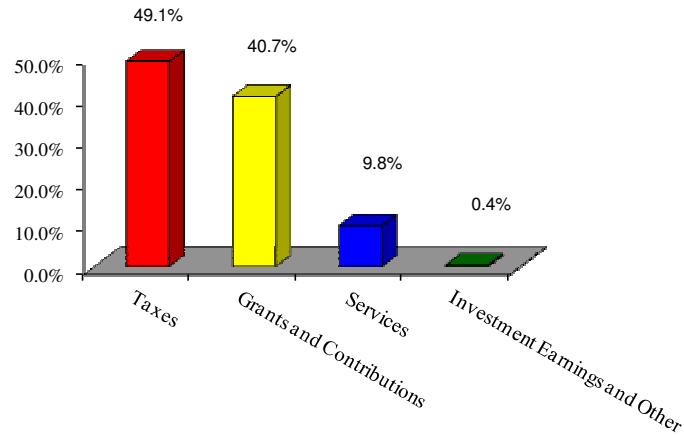
### **Changes in Net Position**

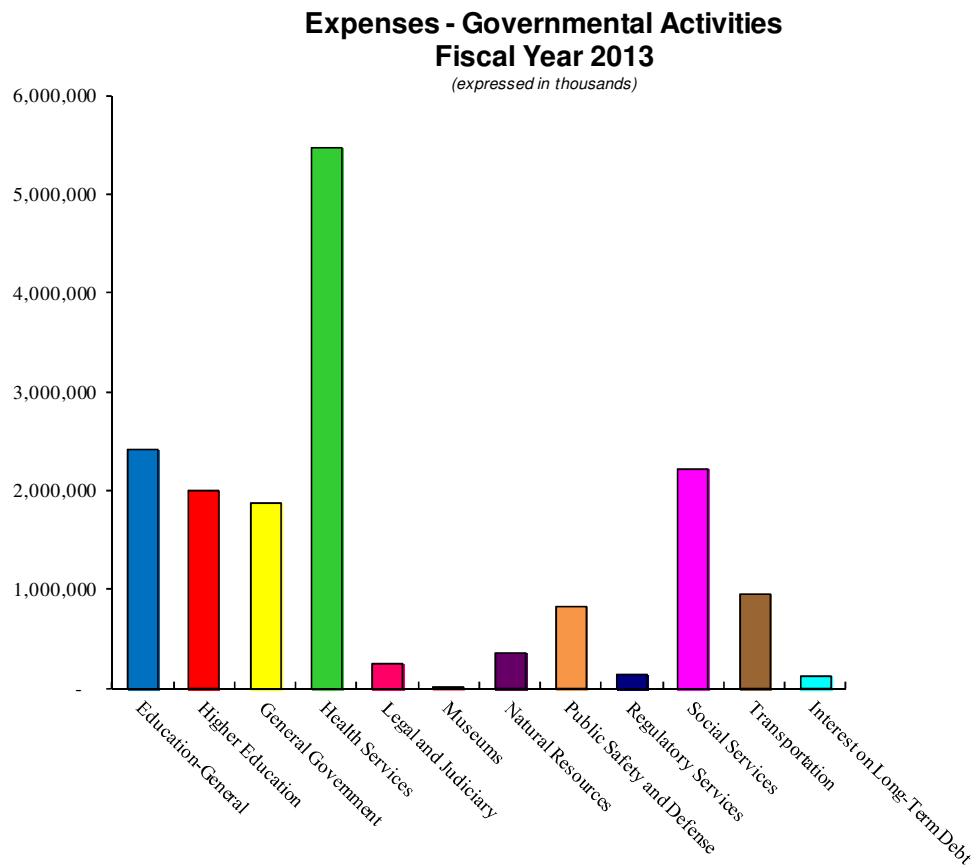
The State's governmental net position increased by \$949 million, or 5.8%. Approximately 49% of the State's total revenue came from taxes, while 40% resulted from grants and contributions (including federal aid). Charges for various goods and services provided 10% of the total revenues. The State's expenses cover a range of services. The largest expenses were for health services, general education, and social services. In 2013, governmental activity expenses exceeded program revenues, resulting in the use of \$8.0 billion in general revenues (mostly taxes). The business-type activities' program revenues exceeded their expenses for 2013 by \$393 million.

**State of Oklahoma's Changes in Net Position-Primary Government**

	Governmental Activities (expressed in thousands)		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 1,666,850	\$ 1,366,656	\$ 1,651,258	\$ 1,770,625	\$ 3,318,108	\$ 3,137,281
Operating Grants and Contributions	6,939,234	7,181,699	138,918	260,936	7,078,152	7,442,635
General Revenues:						
Income Taxes-Individual	2,855,509	2,739,864	-	-	2,855,509	2,739,864
Income Taxes-Corporate	595,250	413,113	-	-	595,250	413,113
Sales Taxes	2,523,098	2,400,354	-	-	2,523,098	2,400,354
Gross Production Taxes	513,350	885,038	-	-	513,350	885,038
Motor Vehicle Taxes	686,540	693,524	-	-	686,540	693,524
Fuel Taxes	408,507	416,940	-	-	408,507	416,940
Other Taxes	788,235	867,632	-	-	788,235	867,632
Investment Earnings	68,601	80,488	-	-	68,601	80,488
Capital Lease and COPs	615	7,384	-	-	615	7,384
Total Revenues	<b>17,045,789</b>	<b>17,052,692</b>	<b>1,790,176</b>	<b>2,031,561</b>	<b>18,835,965</b>	<b>19,084,253</b>
<b>Expenses:</b>						
Education-General	2,405,694	2,413,027	-	-	2,405,694	2,413,027
Education-Payments to Higher Education	2,003,101	1,982,235	-	-	2,003,101	1,982,235
General Government	1,866,501	1,646,489	-	-	1,866,501	1,646,489
Health Services	5,462,257	5,432,791	-	-	5,462,257	5,432,791
Legal and Judiciary	245,372	236,979	-	-	245,372	236,979
Museums	15,916	15,455	-	-	15,916	15,455
Natural Resources	353,243	223,444	-	-	353,243	223,444
Public Safety and Defense	820,506	825,787	-	-	820,506	825,787
Regulatory Services	129,206	116,789	-	-	129,206	116,789
Social Services	2,222,255	2,118,177	-	-	2,222,255	2,118,177
Transportation	941,132	845,784	-	-	941,132	845,784
Interest on Long-Term Debt	112,030	95,097	-	-	112,030	95,097
Unemployment Insurance Trust Fund	-	-	386,399	537,575	386,399	537,575
State Loan Program to Local Governments	-	-	39,398	44,162	39,398	44,162
Group Insurance Program	-	-	843,065	832,635	843,065	832,635
Lottery Commission	-	-	128,642	127,729	128,642	127,729
Total Expenses	<b>16,577,213</b>	<b>15,952,054</b>	<b>1,397,504</b>	<b>1,542,101</b>	<b>17,974,717</b>	<b>17,494,155</b>
Increase (Decrease) in Net Position Before Transfers and Contribution to Permanent Funds	468,576	1,100,638	392,672	489,460	861,248	1,590,098
Contribution to Permanent Funds	87,515	64,861	-	-	87,515	64,861
Transfers	<b>77,745</b>	<b>65,880</b>	<b>(77,745)</b>	<b>(65,880)</b>	<b>-</b>	<b>-</b>
Change in Net Position	633,836	1,231,379	314,927	423,580	948,763	1,654,959
Net Position, Beginning of Year	14,861,405	13,746,674	1,643,105	993,524	16,504,510	14,740,198
Adjustments to Beginning Net Position	-	-	-	226,001	-	226,001
Net Position, End of Year	<b>\$ 15,495,241</b>	<b>\$ 14,978,053</b>	<b>\$ 1,958,032</b>	<b>\$ 1,643,105</b>	<b>\$ 17,453,273</b>	<b>\$ 16,621,158</b>

**Revenues - Governmental Activities  
Fiscal Year 2013**



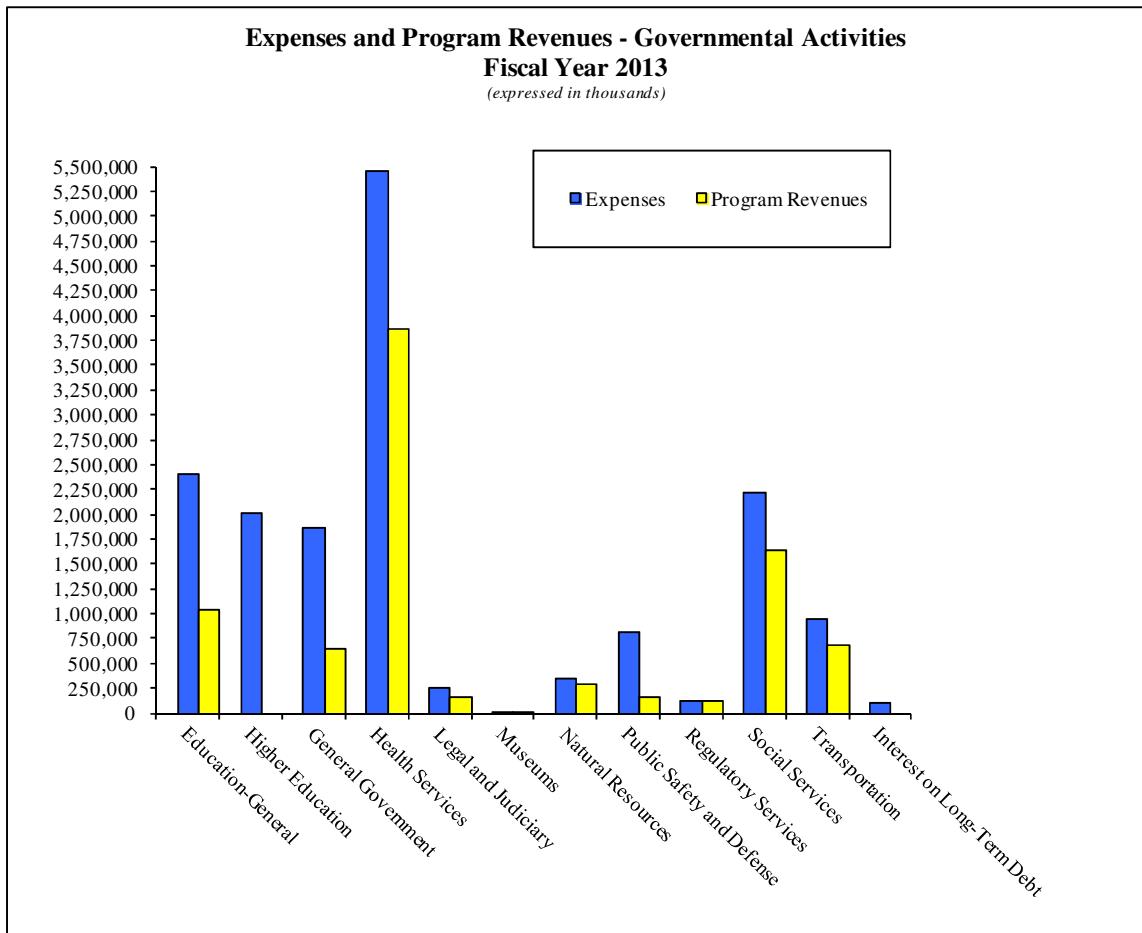


### Governmental Activities

Governmental activities increased the State's net position by \$634 million. Tax revenues were up in two of the four major types. Total revenues for governmental activities were down by \$7 million, or less than 0.1%, in 2013. The State showed a \$115 million increase in individual income taxes, a \$123 million increase in sales taxes, and a \$372 million decrease in gross production income taxes during 2013. Revenue derived from services increased by \$300 million.

A comparison of the cost of services by function for the State's governmental activities is shown below, along with the revenues used to cover the net expenses of the governmental activities (expressed in thousands):

	Governmental Activities
<b>Expenses Net of Program Revenues:</b>	
Education-General	\$ (1,373,385)
Education-Payment to Higher Education	(2,003,101)
General Government	(1,218,629)
Health Services	(1,603,362)
Legal and Judiciary	(81,249)
Museums	(11,601)
Natural Resources	(65,378)
Public Safety and Defense	(654,909)
Regulatory Services	(6,938)
Social Services	(589,964)
Transportation	(250,583)
Interest on Long-Term Debt	(112,030)
<b>Total Governmental Activities Expenses</b>	<b>(7,971,129)</b>
<b>General Revenues:</b>	
Taxes	8,370,489
Investment Earnings	68,601
Contributions to Permanent Funds	87,515
Capital Leases & COPs	615
Transfers	77,745
<b>Increase in Governmental Activities Net Position</b>	<b>\$ 633,836</b>



## **Business-Type Activities**

The business-type activities increased the State's net position by \$315 million, a 19.2% increase, to \$2 billion. This increase comes after an increase of 38.6% in the prior year. The increase primarily resulted from a reduction in payments by the Oklahoma Unemployment Insurance Trust Fund (OUITF). Unemployment benefit payments decreased over last year by \$166 million or 30.9%. The OUITF's net position increased \$249 million, the Oklahoma Water Resources Board's (OWRB) net position increased by \$21 million, the Employees Group Insurance Division of the Office of Management and Enterprise Services increased \$42 million, and the Oklahoma Lottery Commission had an increase in net position of \$2 million.

## **FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS**

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds**

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$6.7 billion, an increase of \$336 million from the prior year. The largest portion (\$2.9 billion or 43.2%) of this total amount constitutes nonspendable fund balance, which includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. In addition \$1.3 billion (18.6%) of fund balance is classified as restricted meaning that the funds can only be used for specific purposes defined by enabling legislation or externally imposed limitations. Amounts that can only be used for specific purposes pursuant to constraints of the government's highest level of decision-making authority are reported as committed fund balance. Committed fund balance represents \$2.3 billion (34.7%) of total fund balance. Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted or committed are reported as assigned fund balance. Assigned fund balance represents \$62.9 million (0.9%) of total fund balance. The remaining funds that are not classified in any of the other four categories represent unassigned fund balance. For the fiscal year ended June 30, 2013 the State has \$173 million (2.6%) classified as unassigned fund balance.

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, the total fund balance increased \$52 million to \$3.8 billion. As a measure of the General Fund's liquidity, it may be useful to compare the portion of fund balance not classified as nonspendable (spendable) and total fund balance to total fund expenditures. Spendable fund balance represents 22.5% of total Governmental Fund expenditures, while total fund balance represents 39.6% of that same amount.

Overall the fund balance of the State's General Fund increased by \$336 million during the current fiscal year. This 5.3% increase from the prior year is primarily due to improved individual income tax and sales tax collections.

The Commissioners of the Land Office manages land and cash set aside by the Federal Government for the use and benefit of public education in Oklahoma to generate maximum earnings for Trust beneficiaries. The Trust beneficiaries are common education and thirteen Oklahoma colleges and universities. This year total program revenues were \$299 million compared to \$205 million for the prior year. Distributions to beneficiaries totaled \$120 million for fiscal year 2013 with \$29 million disbursed to universities and colleges and \$82 million disbursed to public schools, and \$9 million disbursed for public buildings. This was a decrease of \$43 million from the apportionments of fiscal year 2012.

The Department of Wildlife's Lifetime Licenses' fund balance increased by 3.6% to \$75.8 million. This increase occurred due to collections for licenses.

The Tobacco Settlement Endowment Permanent Fund holds certain moneys that are received in settlement of claims by the State against tobacco manufacturers. Earnings from these moneys are to be utilized for research, education, prevention and treatment of tobacco related diseases and certain other health programs. This fund reported a \$124 million net increase in fund balance with \$88 million coming in from the settlement payment by tobacco manufacturers for 2013. The prior year's payment was about \$65 million. The State now has \$829.7 million in the permanent fund.

### **Proprietary Funds**

The State's Proprietary Fund Financial Statements provide the same type of information found in the Government-Wide Financial Statements for business-type activities. This information is presented on the same basis of accounting, but provides more detail.

As discussed in the business-type activities section above, the State's net position increased by \$315 million as a result of operations in the proprietary funds. This resulted from a \$249 million increase in net position by the Oklahoma Unemployment Insurance Trust Fund (OUITF), an increase in net position of \$21 million by the Oklahoma Water Resources Board's (OWRB) program for making loans to local government units for drinking and waste water facilities, an increase of \$42 million by the Employees Group Insurance Division of the Office of Management and Enterprise Services (EGID) for insurance benefit administration, and an increase in net position of \$2 million by the Oklahoma Lottery Commission.

The OUITF increased in net position due to a reduction in operating expenses of \$165.8 million.

The OWRB increased net position by \$21.5 million which was \$9.8 million less than the \$31.2 million in the prior year. This was primarily due to an increase in investment revenue and decrease in administrative and general expense.

The EGID increased net position by \$42.4 million. This was primarily due to a decrease in benefits paid.

The Oklahoma Lottery Commission had an increase in net position of \$1.9 million. Generally, an increase in net position is related to unclaimed winnings.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The differences between the original budget and the final amended budget amounted to \$74 million with \$55 million (74.0%) coming from budget carryovers from fiscal year 2012 and the remaining \$19 million attributable to supplemental appropriations.

The differences between the final budget and actual collections amounted to \$165 million less than budget. Based on a review by the budget department, this was determined to be a normal variance.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to \$20.3 billion, net of accumulated depreciation of \$9.5 billion, leaving a net book value of \$10.8 billion. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the State, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

The total increase in the State's investment in capital assets for the current fiscal year was about 2.6% in terms of net book value. Actual expenditures to purchase or construct assets that are capitalized were \$788 million for the year, a \$287 million (27%) decrease from the prior year. Most of this amount was used to construct or reconstruct roads and bridges. Depreciation charges for the year totaled \$483 million. Additional information on the State's capital assets can be found in Note 5 of the Notes to the Financial Statements of this report.

## **Debt Administration**

The authority of the State to incur debt is described in Article X, Section 25, of the Oklahoma Constitution. In 1987, the State created the Council of Bond Oversight. The Council meets to review all proposed debt issuances. The Council must approve each financing plan before obligations are issued. The legislation that created the Council of Bond Oversight also created the position of State Bond Advisor, who advises the Council and must approve the pricing and fees associated with any debt issuance.

General obligation bonds are backed by the full faith and credit of the State, including the State's power to levy additional taxes to ensure repayment of the debt. Accordingly, all general obligation debt currently outstanding was approved by a vote of the citizens.

The State of Oklahoma's total debt decreased by \$85.1 million, or 3.9%, during the current fiscal year. The decrease in long-term obligations of governmental activities was primarily due to advanced refunding of Department of Corrections, Oklahoma Capital Improvement Authority, and Council on Law Enforcement Education and Training revenue bonds and the advanced refunding of general obligation bonds by the Office of the State Treasurer. Business-type activities' debt increased by \$99 million as Oklahoma Water Resources Board issued \$162.3 million in revenue bonds to provide resources to implement statewide financial assistance programs. These programs make loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems.

Additional information on the State's long-term debt obligations can be found in Notes 9, 10, and 11 of the Notes to the Financial Statements of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Oklahoma unemployment rate was consistently lower than that for the nation between 1997 and 2013. The national unemployment rate is currently 7.3% while Oklahoma's still remains less at 5.5% for the same time period.

Inflationary trends in the region continue to compare favorably to national indices as well.

These factors are considered by legislative leaders and management in preparing the State's budget for future years. (See below.)

### **Budget and Revenue Collections**

The State Constitution requires adoption of a balanced budget. The revenue certification provided by the State Board of Equalization is the basis for development of the State's General Revenue Fund (GRF) budget. The GRF is a budgetary cash account included in the State's General Fund.

If new laws or changes in existing laws are passed that affect revenues, the Equalization Board meets to certify the effects of these changes on the official estimate. Appropriations in any fiscal year may not exceed 95% of the official revenue estimate (plus any cash funds on-hand and available for appropriation).

If collections to a certified cash account are insufficient to cover the appropriations from that account, the Constitution requires that appropriations be reduced proportionately to all agencies receiving an appropriation from that source. The Office of Management and Enterprise Services has the statutory duty to monitor revenue collections and, if warranted, to make reductions in appropriations to prevent deficit spending.

The Legislature may, in regular or special session, make selective reductions in spending or consider revenue increases.

## **Fiscal Year 2014**

As a result of noneconomic conditions, the trend has been a diminishment of general revenue collections. Despite encouraging economic expansion, the improvement to government appropriations has yet to materialize. Through November of 2013, general revenue collections are 6.5% lower than estimates and 1.4% below prior year revenues at a similar date. The expectation is that appropriations for the near-term will remain level.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the State of Oklahoma's finances for all of Oklahoma's citizens, taxpayers, customers, and investors and creditors. This financial report seeks to demonstrate the State's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: State of Oklahoma, Office of Management and Enterprise Services, 2300 N. Lincoln, Suite 122, Oklahoma City, OK 73105-4801.

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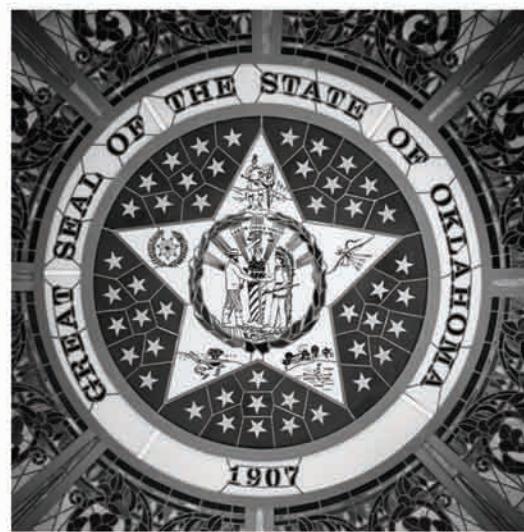
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# Basic Financial Statements

# **Basic Financial Statements**



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# Government Wide Financial Statements

# **Government Wide Financial Statements**

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**State of Oklahoma**  
**Government Wide**  
**Statement of Net Position**  
**June 30, 2013**  
(bexpressed in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Current Assets				
Cash/Cash Equivalents	\$ 3,512,773	\$ 1,098,961	\$ 4,611,734	\$ 1,583,295
Investments	73,872	376,117	449,989	2,512,993
Securities Lending Investments	317,615	0	317,615	0
Accounts Receivable	48,989	44,855	93,844	396,072
Interest and Investment Revenue Receivable	27,507	20,233	47,740	18,377
Federal Grants Receivable	464,217	1,724	465,941	8,001
Taxes Receivable	284,307	154,800	439,107	0
Leases Receivable	4,293	0	4,293	0
Leases Receivable - Component Units	17,844	0	17,844	0
Other Receivables	26	0	26	71,174
Notes Receivable	0	121,155	121,155	74,635
Internal Balances	19,456	(19,456)	0	0
Receivable from External Parties	33	2,431	2,464	0
Due from Component Units	1,260	0	1,260	2,388
Due from Primary Government	0	0	0	27,675
Inventory	82,930	0	82,930	120,454
Prepaid Items	728	0	728	19,136
Other Current Assets	0	2,895	2,895	54,915
Total Current Assets	4,855,850	1,803,715	6,659,565	4,889,115
Noncurrent Assets				
Cash/Cash Equivalents - Restricted	106,147	29,395	135,542	901,837
Short-Term Investments - Restricted	0	0	0	2,382,132
Long-Term Investments	0	0	0	905,944
Long-Term Investments - Restricted	2,793,043	121,994	2,915,037	0
Leases Receivable	13,325	0	13,325	0
Leases Receivable - Component Units	567,791	0	567,791	0
Long-Term Notes Receivable, Net	0	1,096,725	1,096,725	70,537
Long-Term Notes Receivable, Net - Restricted	0	0	0	616,096
Long-Term Due from Component Units	52,515	0	52,515	0
Capital Assets - Depreciable, Net	8,944,764	1,037	8,945,801	6,529,339
Capital Assets - Land	1,631,214	0	1,631,214	377,585
Capital Assets - Construction in Progress	184,264	0	184,264	446,042
Other Noncurrent Assets	9,677	5,599	15,276	235,142
Other Noncurrent Assets - Restricted	36,853	0	36,853	98,083
Total Noncurrent Assets	14,339,593	1,254,750	15,594,343	12,562,737
Total Assets	19,195,443	3,058,465	22,253,908	17,451,852
<b>Deferred Outflows</b>				
Deferred Issuance Costs	5,773	0	5,773	0
Unamortized Loss on Bond Refundings	4,683	0	4,683	0
Lease Restructuring	0	0	0	16,217
Advance Refunding of Bonds	0	0	0	82,849
Defeasance of Bonds	0	0	0	7,365
Accumulated Decrease in Fair Value of of Derivatives	0	0	0	91,749
Total Deferred Outflows	10,456	0	10,456	198,180

The Notes to the Financial Statements are an integral part of this statement.

	Primary Government				Component Units
	Governmental Activities		Business-Type Activities	Total	
<b>Liabilities</b>					
Current Liabilities					
Accounts Payable and Accrued Liabilities	\$ 900,622	\$ 115,493	\$ 1,016,115	\$ 327,901	
Payable Under Securities Lending Agreements	317,615	0	317,615	0	
Claims and Judgments	7,479	0	7,479	244,245	
Interest Payable	29,266	9,430	38,696	57,691	
Tax Refunds Payable	3,533	0	3,533	0	
Payable to External Parties	39,286	0	39,286	1,308	
Due to Component Units	25,788	14	25,802	2,375	
Due to Primary Government	0	0	0	1,260	
Due to Others	196,414	0	196,414	0	
Capital Leases	3,157	0	3,157	41,083	
Capital Leases - Primary Government	0	0	0	17,844	
Compensated Absences	92,455	143	92,598	84,610	
Notes Payable	18,756	0	18,756	92,697	
General Obligation Bonds	4,630	0	4,630	655	
Revenue Bonds (Net)	91,610	130,725	222,335	308,094	
Other Current Liabilities	0	17,709	17,709	280,964	
Total Current Liabilities	1,730,611	273,514	2,004,125	1,460,727	
Noncurrent Liabilities					
Claims and Judgments	41,877	0	41,877	1,110,469	
Due to Primary Government	0	0	0	52,433	
Pension Obligation	116,111	0	116,111	0	
Capital Leases	7,555	0	7,555	345,320	
Capital Leases - Primary Government	0	0	0	567,790	
Compensated Absences	60,488	1,001	61,489	33,840	
Notes Payable	175,804	0	175,804	169,569	
General Obligation Bonds	131,955	0	131,955	45,465	
Revenue Bonds (including Premiums)	1,337,505	800,688	2,138,193	4,868,830	
Other Postemployment Benefits	388	0	388		
Other Noncurrent Liabilities	0	11,788	11,788	518,001	
Total Noncurrent Liabilities	1,871,683	813,477	2,685,160	7,711,717	
Total Liabilities	3,602,294	1,086,991	4,689,285	9,172,444	
<b>Deferred Inflows</b>					
Unearned Revenue	108,364	13,442	121,806	244,998	
Service Concession Arrangements	0	0	0	1,163	
Total Deferred Inflows	108,364	13,442	121,806	246,161	
<b>Net Position</b>					
Invested in Capital Assets, Net of Related Debt	9,650,570	1,037	9,651,607	3,136,533	
Restricted for:					
Debt Service	742,688	273,256	1,015,944	375,679	
Preservation of Wildlife	75,830	0	75,830	0	
Educational Systems	2,036,650	0	2,036,650	0	
Unemployment Benefits	0	1,080,742	1,080,742	0	
Stabilization	401,389	0	401,389	0	
Federal Grant Programs	96,496	0	96,496	0	
Tobacco Cessation and Public Health					
Expendable	100,080	0	100,080	2,983,411	
Nonexpendable	729,689	0	729,689	0	
Unrestricted	1,661,849	602,997	2,264,846	1,735,804	
Total Net Position	\$ 15,495,241	\$ 1,958,032	\$ 17,453,273	\$ 8,231,427	

State of Oklahoma  
 Government Wide  
 Statement of Activities  
 For the Fiscal Year Ended June 30, 2013  
 (expressed in thousands)

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position						
		Charges for Services	Grants and Contributions	Primary Government			Component Units				
				Governmental Activities	Business-Type Activities	Total					
<b>Primary Government:</b>											
<b>Governmental Activities:</b>											
Education-General	\$ 2,405,694	\$ 42,904	\$ 989,405	\$ (1,373,385)		\$ (1,373,385)					
Education-Payment to Higher Education	2,003,101	0	0	(2,003,101)		(2,003,101)					
General Government	1,866,501	470,067	177,805	(1,218,629)		(1,218,629)					
Health Services	5,462,257	472,502	3,386,393	(1,603,362)		(1,603,362)					
Legal and Judiciary	245,372	139,539	24,584	(81,249)		(81,249)					
Museums	15,916	2,805	1,510	(11,601)		(11,601)					
Natural Resources	353,243	222,041	65,824	(65,378)		(65,378)					
Public Safety and Defense	820,506	83,355	82,242	(654,909)		(654,909)					
Regulatory Services	129,206	113,713	8,555	(6,938)		(6,938)					
Social Services	2,222,255	26,317	1,605,974	(589,964)		(589,964)					
Transportation	941,132	93,607	596,942	(250,583)		(250,583)					
Interest on Long-Term Debt	112,030	0	0	(112,030)		(112,030)					
Total Governmental Activities	<u>16,577,213</u>	<u>1,666,850</u>	<u>6,939,234</u>	<u>(7,971,129)</u>		<u>(7,971,129)</u>					
<b>Business-Type Activities:</b>											
Employment Security Commission	386,399	535,290	107,787		256,678	256,678					
Water Resources Board	39,398	54,877	6,099		21,578	21,578					
Office of Management and Enterprise Services	843,065	860,767	24,684		42,386	42,386					
Lottery Commission	128,642	200,324	348		72,030	72,030					
Total Business-Type Activities	<u>1,397,504</u>	<u>1,651,258</u>	<u>138,918</u>		<u>392,672</u>	<u>392,672</u>					
Total Primary Government	<u>\$ 17,974,717</u>	<u>\$ 3,318,108</u>	<u>\$ 7,078,152</u>	<u>(7,971,129)</u>	<u>392,672</u>	<u>(7,578,457)</u>					
<b>Component Units:</b>											
CompSource Oklahoma	329,103	368,753	0			39,650					
Oklahoma Student Loan Authority	18,576	19,195	0			619					
Oklahoma Housing Finance Agency	191,066	47,532	147,323			3,789					
Oklahoma Turnpike Authority	208,825	241,379	0			32,554					
Grand River Dam Authority	369,979	423,614	0			53,635					
Oklahoma Municipal Power Authority	170,915	175,506	0			4,591					
Higher Education	5,289,921	2,537,759	1,412,335			(1,339,827)					
Nonmajor Component Units	371,881	235,981	1,603			(134,297)					
Total Component Units	<u>\$ 6,950,266</u>	<u>\$ 4,049,719</u>	<u>\$ 1,561,261</u>			<u>(1,339,286)</u>					
<b>General Revenues</b>											
Taxes:											
Income Taxes-Individual			2,855,509	0	2,855,509	0					
Income Taxes-Corporate			595,250	0	595,250	0					
Sales Tax			2,523,098	0	2,523,098	0					
Gross Production Taxes			513,350	0	513,350	0					
Motor Vehicle Taxes			686,540	0	686,540	0					
Fuel Taxes			408,507	0	408,507	0					
Tobacco Taxes			272,123	0	272,123	0					
Other Business Taxes			121,285	0	121,285	0					
Other Personal Taxes			136	0	136	0					
Insurance Taxes			145,437	0	145,437	0					
Beverage Taxes			105,316	0	105,316	0					
Other Taxes			143,938	0	143,938	0					
Payments from Primary Government			0	0	0	2,076,472					
Investment Earnings			68,601	0	68,601	0					
Contributions to Permanent Funds			87,515	0	87,515	0					
Capital Lease and COPs			615	0	615	0					
Transfers			77,745	(77,745)	0	0					
Total General Revenues and Transfers			<u>8,604,965</u>	<u>(77,745)</u>	<u>8,527,220</u>	<u>2,076,472</u>					
Change in Net Position			<u>633,836</u>	<u>314,927</u>	<u>948,763</u>	<u>737,186</u>					
<b>Net Position - Beginning of Year (as restated)</b>			<u>14,861,405</u>	<u>1,643,105</u>	<u>16,504,510</u>	<u>7,494,241</u>					
<b>Net Position - End of Year</b>			<u>\$ 15,495,241</u>	<u>\$ 1,958,032</u>	<u>\$ 17,453,273</u>	<u>\$ 8,231,427</u>					

The Notes to the Financial Statements are an integral part of this statement.



Fourth Floor Rotunda

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# Fund Financial Statements

# **Fund Financial Statements**

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**State of Oklahoma**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2013**  
(bexpressed in thousands)

	Permanent Funds					Total Governmental Funds
	General	Commissioners of the Land Office	Department of Wildlife Lifetime Licenses	Tobacco Settlement Endowment		
<b>Assets</b>						
Assets						
Cash/Cash Equivalents	\$ 3,448,598	\$ 112,657	\$ 6,033	\$ 51,632	\$ 3,618,920	
Investments	73,872	1,933,351	69,696	789,996	2,866,915	
Securities Lending Investments	211,015	0	0	106,600	317,615	
Accounts Receivable	48,989	0	0	0	48,989	
Interest and Investment Revenue Receivable	27,507	12,290	0	3,956	43,753	
Federal Grants Receivable	464,217	0	0	0	464,217	
Taxes Receivable	284,308	0	0	0	284,308	
Leases Receivable	17,618	0	0	0	17,618	
Leases Receivable-Component Units	585,635	0	0	0	585,635	
Other Receivables	26	20,392	0	215	20,633	
Due from Other Funds	19,489	0	94	0	19,583	
Due from Fiduciary Funds	33	0	0	0	33	
Due from Component Units	1,260	0	0	0	1,260	
Due from Component Units-Noncurrent	52,515	0	0	0	52,515	
Inventory	82,930	0	0	0	82,930	
Prepaid Items	728	0	0	0	728	
Other Assets	9,670	0	7	0	9,677	
<b>Total Assets</b>	<b>5,328,410</b>	<b>2,078,690</b>	<b>75,830</b>	<b>952,399</b>	<b>8,435,329</b>	
<b>Liabilities</b>						
Accounts Payable and Accrued Liabilities	849,637	35,940	0	15,046	900,623	
Payable Under Securities						
Lending Agreements	211,015	0	0	106,600	317,615	
Tax Refunds Payable	3,533	0	0	0	3,533	
Due to Other Funds	607	0	0	33	640	
Due to Fiduciary Funds	38,773	0	0	0	38,773	
Due to Component Units	24,765	0	0	1,023	25,788	
Due to Others	196,414	0	0	0	196,414	
<b>Total Liabilities</b>	<b>1,324,744</b>	<b>35,940</b>	<b>0</b>	<b>122,702</b>	<b>1,483,386</b>	
<b>Deferred Inflows of Resources</b>						
Deferred Revenue	198,517	6,100	0	0	204,617	
<b>Total Deferred Inflows of Resources</b>	<b>198,517</b>	<b>6,100</b>	<b>0</b>	<b>0</b>	<b>204,617</b>	
<b>Fund Balances</b>						
Nonspendable	84,743	2,024,212	75,830	729,689	2,914,474	
Restricted	1,240,573	12,438	0	0	1,253,011	
Committed	2,344,077	0	0	0	2,344,077	
Assigned	1,960	0	0	60,952	62,912	
Unassigned	133,796	0	0	39,056	172,852	
<b>Total Fund Balances</b>	<b>\$ 3,805,149</b>	<b>\$ 2,036,650</b>	<b>\$ 75,830</b>	<b>\$ 829,697</b>	<b>\$ 6,747,326</b>	

The Notes to the Financial Statements are an integral part of this statement.

## Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

**Total Fund Balance - Governmental Funds** \$ 6,747,326

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	1,631,214
Buildings and Improvements	1,588,044
Equipment	501,428
Infrastructure	16,378,901
Construction in Progress	184,264
Accumulated Depreciation	(9,523,609)
	10,760,242

Some of the State's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

96,253

The Uniform Retirement System for Judges and Justices, the Oklahoma Law Enforcement Retirement System and Wildlife Department have under funded their Annual Required Contributions, creating a net pension obligation. This liability is not payable from current available financial resources and is not reported in the funds.

(116,112)

Bonds issued by the State have associated costs that are paid from current available financial resources in the funds. However, these costs are deferred on the statement of net position.

5,773

Certain bonds issued by the State are for the purpose of refunding older bond issues. Some bonds that are refunded are done so at a loss to the State. These losses are costs in the funds, but are amortized over the life of the refunding bonds on the statement of net position.

4,683

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Notes Payable	(194,560)
General Obligation and Revenue Bonds	(1,490,034)
Capital Leases and Certificates of Participation	(10,712)
Bond Issue Premiums	(75,666)
Accrued Interest on Bonds	(29,266)
Compensated Absences	(152,942)
Other postemployment benefits	(388)
Claims and Judgements	(49,356)
	(2,002,924)

**Net Position of Governmental Activities**

\$ 15,495,241

The Notes to the Financial Statements are an integral part of this statement.

**State of Oklahoma  
Statement of Revenues, Expenditures  
and Changes in Fund Balances-Governmental Funds**

For the Fiscal Year Ended June 30, 2013  
(expressed in thousands)

	General	Permanent Funds			Total Governmental Funds
		Commissioners of the Land Office	Department of Wildlife Lifetime Licenses	Tobacco Settlement Endowment	
<b>Revenues</b>					
Taxes					
Income Taxes-Individual	\$ 2,855,509	\$ 0	\$ 0	\$ 0	\$ 2,855,509
Sales Tax	2,523,098	0	0	0	2,523,098
Gross Production Taxes	513,350	0	0	0	513,350
Income Taxes-Corporate	595,249	0	0	0	595,249
Motor Vehicle Taxes	686,540	0	0	0	686,540
Fuel Taxes	408,507	0	0	0	408,507
Tobacco Taxes	272,123	0	0	0	272,123
Other Business Taxes	121,285	0	0	0	121,285
Other Personal Taxes	136	0	0	0	136
Insurance Taxes	145,437	0	0	0	145,437
Beverage Taxes	105,316	0	0	0	105,316
Other Taxes	143,938	0	0	0	143,938
Licenses, Permits and Fees	624,622	0	2,607	0	627,229
Interest and Investment Revenue	154,477	282,059	0	72,888	509,424
Federal Grants	6,647,031	0	0	0	6,647,031
Sales and Services	163,462	11,062	0	0	174,524
Other Grants and Reimbursements	514,571	0	0	0	514,571
Fines and Penalties	51,290	0	0	0	51,290
Other	205,277	6,365	0	87,515	299,157
<b>Total Revenues</b>	<b>16,731,218</b>	<b>299,486</b>	<b>2,607</b>	<b>160,403</b>	<b>17,193,714</b>
<b>Expenditures</b>					
Education	4,265,166	141,558	0	0	4,406,724
General Government	1,821,488	0	0	36,433	1,857,921
Health Services	5,447,207	0	0	0	5,447,207
Legal and Judiciary	239,421	0	0	0	239,421
Museums	14,915	0	0	0	14,915
Natural Resources	337,867	0	0	0	337,867
Public Safety and Defense	768,059	0	0	0	768,059
Regulatory Services	122,354	0	0	0	122,354
Social Services	2,196,864	0	0	0	2,196,864
Transportation	212,248	0	0	0	212,248
Capital Outlay	1,104,103	0	0	0	1,104,103
Debt Service					
Principal Retirement	221,187	0	0	0	221,187
Interest and Fiscal Charges	112,030	0	0	0	112,030
<b>Total Expenditures</b>	<b>16,862,909</b>	<b>141,558</b>	<b>0</b>	<b>36,433</b>	<b>17,040,900</b>
Revenues in Excess of (Less Than) Expenditures	(131,691)	157,928	2,607	123,970	152,814
<b>Other Financing Sources (Uses)</b>					
Transfers In	67,955	0	0	0	67,955
Bonds Issued	22,795	0	0	0	22,795
Refunding Bonds	67,555	0	0	0	67,555
Bond Issue Premiums	8,099	0	0	0	8,099
Bond and Note Issue Discounts	(121)	0	0	0	(121)
Capital Leases	5,256	0	0	0	5,256
Sale of Capital Assets	11,928	0	0	0	11,928
<b>Total Other Financing Sources (Uses)</b>	<b>183,467</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>183,467</b>
Net Change in Fund Balances	51,776	157,928	2,607	123,970	336,281
<b>Fund Balances - Beginning of Year (as restated)</b>					
<b>Fund Balances - End of Year</b>	<b>\$ 3,805,149</b>	<b>\$ 2,036,650</b>	<b>\$ 75,830</b>	<b>\$ 829,697</b>	<b>\$ 6,747,326</b>

The Notes to the Financial Statements are an integral part of this statement.

## **Reconciliation of the Governmental Funds Schedule of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 336,281
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$764,628) exceeded depreciation (\$482,475) in the current period.</p>	282,153
<p>In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.</p>	(10,942)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	(59,696)
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which bond payments (\$218,548) exceeded proceeds (\$90,350).</p>	128,198
<p>Bond issuance premiums and discounts are other financing sources or uses to governmental funds, but are deferred liabilities in the statement of net position. This is the amount of bond issue premiums.</p>	(7,978)
<p>Contributions to certain pension plans use current financial resources from governmental funds, while an increase in the net pension obligation (\$13,661) is an expense in the statement of activities.</p>	(13,661)
<p>Some of the assets acquired this year were financed as capital leases. The amount financed is reported in the governmental funds as a source of financing. However, capital leases are long-term liabilities in the statement of net position. This is the amount by which the payment of principal (\$2,638) is exceeded by the addition of new capital leases (\$4,641).</p>	(2,003)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>	
Accretion of bond premiums Decrease in entity-wide interest payable Increase in compensated absences Amortization of losses on refunded bonds Amortization of bond issuance costs Deferral of bond issuance costs Increase in Other Postemployment Benefit liability Decrease in claims and judgments payable	9,481 2,201 (3,730) (861) (842) 508 (137) (25,136) <hr style="width: 20%; margin-left: 0;"/> (18,516)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 633,836</b> <hr style="width: 20%; margin-left: 0;"/>

The Notes to the Financial Statements are an integral part of this statement.

**State of Oklahoma**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2013**  
 (expressed in thousands)

Business-Type Activities - Enterprise Funds						
	Employment Security Commission	Water Resources Board	Office of Management and Enterprise Services	Lottery Commission	Total	
<b>Assets</b>						
Current Assets						
Cash/Cash Equivalents	\$ 925,218	\$ 44,779	\$ 103,770	\$ 25,194	\$ 1,098,961	
Investments	0	74,149	301,968	0	376,117	
Accounts Receivable	819	0	38,414	5,622	44,855	
Interest and Investment Revenue Receivable	9,648	9,973	612	0	20,233	
Federal Grants Receivable	969	755	0	0	1,724	
Taxes Receivable	154,800	0	0	0	154,800	
Notes Receivable	0	121,155	0	0	121,155	
Due from Other Funds	2,431	0	0	0	2,431	
Other Current Assets	0	5	2,890	0	2,895	
Total Current Assets	1,093,885	250,816	447,654	30,816	1,823,171	
Noncurrent Assets						
Cash/Cash Equivalents - Restricted	0	29,395	0	0	29,395	
Long-Term Investments - Restricted	0	121,994	0	0	121,994	
Long-Term Notes Receivable	0	1,096,725	0	0	1,096,725	
Capital Assets, Net	0	6	946	85	1,037	
Other Noncurrent Assets	0	0	0	5,599	5,599	
Total Noncurrent Assets	0	1,248,120	946	5,684	1,254,750	
Total Assets	1,093,885	1,498,936	448,600	36,500	3,077,921	
<b>Liabilities</b>						
Current Liabilities						
Accounts Payable and Accrued Liabilities	0	215	108,109	7,169	115,493	
Interest Payable	0	9,430	0	0	9,430	
Compensated Absences	0	18	0	125	143	
Revenue Bonds	0	130,725	0	0	130,725	
Due to Component Units	0	0	13	1	14	
Due to Other Funds	0	557	0	18,899	19,456	
Other Current Liabilities	0	2,453	15,256	0	17,709	
Total Current Liabilities	0	143,398	123,378	26,194	292,970	
Noncurrent Liabilities						
Revenue Bonds	0	800,688	0	0	800,688	
Compensated Absences	0	75	864	62	1,001	
Other Noncurrent Liabilities	0	0	11,788	0	11,788	
Total Noncurrent Liabilities	0	800,763	12,652	62	813,477	
Total Liabilities	0	944,161	136,030	26,256	1,106,447	
<b>Deferred Inflows of Resources</b>						
Deferred Revenue	13,143	0	0	299	13,442	
Total Deferred Inflows	13,143	0	0	299	13,442	
<b>Net Position</b>						
Invested in Capital Assets	0	6	946	85	1,037	
Restricted for:						
Debt Service	0	273,256	0	0	273,256	
Unemployment Benefits	1,080,742	0	0	0	1,080,742	
Unrestricted	0	281,513	311,624	9,860	602,997	
Total Net Position	\$ 1,080,742	\$ 554,775	\$ 312,570	\$ 9,945	\$ 1,958,032	

The Notes to the Financial Statements are an integral part of this statement.

State of Oklahoma  
 Statement of Revenues, Expenses  
 and Changes in Net Position  
 Proprietary Funds  
 For the Fiscal Year Ended June 30, 2013  
 (expressed in thousands)

Business-Type Activities - Enterprise Funds					
	Employment Security Commission	Water Resources Board	Office of Management and Enterprise Services	Lottery Commission	Total
<b>Operating Revenues</b>					
Sales and Services	\$ 508,233	\$ 0	\$ 859,218	\$ 200,209	\$ 1,567,660
Federal Grants	107,787	3,225	0	0	111,012
Interest and Investment Revenue	0	34,877	0	0	34,877
Other	0	0	1,549	115	1,664
<b>Total Operating Revenues</b>	<b>616,020</b>	<b>38,102</b>	<b>860,767</b>	<b>200,324</b>	<b>1,715,213</b>
<b>Operating Expenses</b>					
Facilities Operations and Maintenance	0	0	0	200	200
Administrative and General	14,707	5,061	38,697	4,377	62,842
Prizes, Commissions and Other	0	0	0	123,527	123,527
Interest	0	34,034	0	0	34,034
Depreciation	0	14	0	38	52
Benefit Payments and Refunds	371,692	0	804,368	0	1,176,060
<b>Total Operating Expenses</b>	<b>386,399</b>	<b>39,109</b>	<b>843,065</b>	<b>128,142</b>	<b>1,396,715</b>
<b>Operating Income (Loss)</b>	<b>229,621</b>	<b>(1,007)</b>	<b>17,702</b>	<b>72,182</b>	<b>318,498</b>
<b>Nonoperating Revenues (Expenses)</b>					
Interest and Investment Revenue	23,966	6,099	24,684	348	55,097
Other Nonoperating Revenues	3,092	0	0	0	3,092
Nonoperating Federal Grants	0	16,775	0	0	16,775
Other Nonoperating Expenses	0	(289)	0	(500)	(789)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>27,058</b>	<b>22,585</b>	<b>24,684</b>	<b>(152)</b>	<b>74,175</b>
<b>Income (Loss) Before Transfers</b>	<b>256,679</b>	<b>21,578</b>	<b>42,386</b>	<b>72,030</b>	<b>392,673</b>
Transfers In	0	55	0	0	55
Transfers Out	(7,522)	(166)	0	(70,113)	(77,801)
<b>Change in Net Position</b>	<b>249,157</b>	<b>21,467</b>	<b>42,386</b>	<b>1,917</b>	<b>314,927</b>
<b>Total Net Position - Beginning of Year</b>	<b>831,585</b>	<b>533,308</b>	<b>270,184</b>	<b>8,028</b>	<b>1,643,105</b>
<b>Total Net Position - Ending</b>	<b>\$ 1,080,742</b>	<b>\$ 554,775</b>	<b>\$ 312,570</b>	<b>\$ 9,945</b>	<b>\$ 1,958,032</b>

The Notes to the Financial Statements are an integral part of this statement.

**State of Oklahoma  
Statement of Cash Flows  
Proprietary Funds**

For the Fiscal Year Ended June 30, 2013  
(expressed in thousands)

Business-Type Activities - Enterprise Funds						
	Employment Security Commission	Water Resources Board	Office of Management and Enterprise Services	Lottery Commission		Total
<b>Cash Flows from Operating Activities</b>						
Receipts from Customers and Users	\$ 572,555	\$ 0	\$ 989,326	\$ 188,489	\$ 1,750,370	
Receipts from Federal Grants	103,865	3,069	0	0	0	106,934
Payments of Benefits	(396,079)	258	(944,487)	0	0	(1,340,308)
Payments to Suppliers	0	(1,680)	(27,543)	(7,802)	(37,025)	
Payments to Employees	0	(2,049)	(9,219)	(2,343)	(13,611)	
Payments to Prize Winners	0	0	0	(107,151)	(107,151)	
Payments to fund deposit with Multi-State Lottery	0	0	0	186	186	
Collections of Interest on Loans to Governmental Units	0	33,505	0	0	33,505	
Payments of Operating Interest Expense	0	(35,556)	0	0	(35,556)	
Net Cash Provided (Used) by Operating Activities	<u>280,341</u>	<u>(2,453)</u>	<u>8,077</u>	<u>71,379</u>	<u>357,344</u>	
<b>Cash Flows from Noncapital Financing Activities</b>						
Federal Grants and Other Contributions	3,054	181,775	0	0	0	184,829
Transfers In	0	55	0	0	0	55
Transfers Out	0	(166)	0	(70,436)	(70,436)	(70,602)
Principal Paid on Bonds and Notes Payable	0	(61,455)	0	0	0	(61,455)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>3,054</u>	<u>120,209</u>	<u>0</u>	<u>(70,436)</u>	<u>52,827</u>	
<b>Cash Flows from Capital and Related Financing Activities</b>						
Payments for Acquisition of Capital Assets	0	0	(429)	(17)	(17)	(446)
Net Cash Used by Capital and Related Financing Activities	<u>0</u>	<u>0</u>	<u>(429)</u>	<u>(17)</u>	<u>(17)</u>	<u>(446)</u>
<b>Cash Flows from Investing Activities</b>						
Interest and Investment Revenue	20,502	5,799	3,931	353	0	30,585
Proceeds from Sale and Maturity of Investments	0	10,757	187,490	0	0	198,247
Payments to Purchase Investments	0	(129,206)	(194,630)	0	0	(323,836)
Collections of Principal on Loans to Governmental Units	0	94,372	0	0	0	94,372
Payments to Issue Notes Receivable	0	(136,560)	0	0	0	(136,560)
Net Cash Provided by Investing Activities	<u>20,502</u>	<u>(154,838)</u>	<u>(3,209)</u>	<u>353</u>	<u>0</u>	<u>(137,192)</u>
Net Increase in Cash/Cash Equivalents	<u>303,897</u>	<u>(37,082)</u>	<u>4,439</u>	<u>1,279</u>	<u>0</u>	<u>272,533</u>
<b>Cash/Cash Equivalents - Beginning of Year</b>						
	<u>621,321</u>	<u>111,256</u>	<u>99,331</u>	<u>23,915</u>	<u>0</u>	<u>855,823</u>
<b>Cash/Cash Equivalents - End of Year</b>						
<b>Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities</b>						
Operating Income (Loss)	\$ 229,621	\$ (1,007)	\$ 17,702	\$ 72,182	\$ 0	\$ 318,498
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities						
Depreciation Expense	0	14	196	38	0	248
Amortization (Accretion) and Other Noncash Expenses	0	(2,525)	24	8	0	(2,493)
Decrease (Increase) in Assets						
Accounts Receivable	37,578	0	5,562	1,324	0	44,464
Interest and Investment Receivable	0	(423)	0	0	0	(423)
Deposit with Multi-State Lottery	0	0	0	186	0	186
Other Receivables	0	260	(3,761)	0	0	(3,501)
Increase (Decrease) in Liabilities						
Accounts Payable and Accrued Liabilities	0	(203)	(13,360)	284	0	(13,279)
Interest Payable	0	908	0	0	0	908
Prizes Payable	0	0	0	(2,855)	0	(2,855)
Compensated Absences	0	(68)	0	0	0	(68)
Due to other funds	0	0	0	168	0	168
Deferred Revenue	13,142	0	0	44	0	13,186
Other Current Liabilities	0	591	1,714	0	0	2,305
Net Cash Provided (Used) by Operating Activities	<u>\$ 280,341</u>	<u>\$ (2,453)</u>	<u>\$ 8,077</u>	<u>\$ 71,379</u>	<u>\$ 0</u>	<u>\$ 357,344</u>

The Notes to the Financial Statements are an integral part of this statement.

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State of Oklahoma  
 Statement of Fiduciary Net Position  
 Fiduciary Funds and Similar Component Units  
 June 30, 2013  
 (expressed in thousands)

	Pension Trust Funds	Agency Fund
<b>Assets</b>		
Cash/Cash Equivalents	\$ 1,209,031	\$ 510,692
Investments, at fair value		
Equity Securities	11,733,408	0
Governmental Securities	3,283,834	0
Debt Securities	3,055,253	0
Mutual Funds	3,315,044	0
Other Investments	1,994,602	85
Securities Lending Investments	3,298,897	0
Taxes Receivable	0	1
Accounts Receivable	0	21
Interest and Investment Revenue Receivable	60,695	0
Employer Contributions Receivable	44,443	0
Employee Contributions Receivable	23,415	0
Other Contributions Receivable	28,856	0
Other Receivables	571	0
Due from Brokers	787,490	0
Due from Other Funds	39,398	0
Due from Primary Government		
Due from Component Units		
Due from Component Units	0	683
Inventory	0	10,805
Capital Assets, Net	3,705	0
Other Assets	239	0
<b>Total Assets</b>	<b>28,878,881</b>	<b>522,287</b>
<b>Liabilities</b>		
Accounts Payable	3,867	280
Tax Refunds Payable	0	14,577
Securities Lending Payable	3,298,897	0
Due to Brokers	1,220,506	0
Due to Other Funds	33	276
Due to Others	0	507,154
Benefits in the Process of Payment	84,585	0
Other Liabilities	9,366	0
<b>Total Liabilities</b>	<b>4,617,254</b>	<b>522,287</b>
<b>Net Position</b>		
Held in Trust for Pension Benefits and Pool Participants	<u><u>\$ 24,261,627</u></u>	

The Notes to the Financial Statements are an integral part of this statement.

State of Oklahoma  
Statement of Changes in  
Fiduciary Net Position  
Fiduciary Funds and Similar Component Units  
For the Fiscal Year Ended June 30, 2013  
(expressed in thousands)

Pension Trust Funds	
<b>Additions</b>	
Contributions	
Employer Contributions	\$ 729,241
Employee Contributions	408,780
Other Contributions	455,034
<b>Total Contributions</b>	<b>1,593,055</b>
 Investment Earnings	
Net Increase (Decrease) in Fair Value of Investments	2,711,080
Interest and Investment Revenue	512,055
<b>Total Investment Earnings</b>	<b>3,223,135</b>
Less Investment Expenses	72,459
<b>Net Investment Earnings</b>	<b>3,150,676</b>
 Total Additions	 <b>4,743,731</b>
 <b>Deductions</b>	
Administrative and General Expenses	38,766
Benefit Payments and Refunds	1,968,247
<b>Total Deductions</b>	<b>2,007,013</b>
 Change in Net Position	 2,736,718
 <b>Net Position - Beginning of Year</b>	 21,524,909
 <b>Net Position - End of Year</b>	 \$ 24,261,627

The Notes to the Financial Statements are an integral part of this statement.

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## MAJOR COMPONENT UNITS

The State of Oklahoma has eight major component units which are described below:

**COMPSOURCE OKLAHOMA**  
P.O. Box 53505, Oklahoma City, Oklahoma 73152

The Fund provides a source of workers' compensation insurance for all employers within the state including state agencies and other governmental units. The Fund is financed through employer premiums.

**OKLAHOMA STUDENT LOAN AUTHORITY**  
P.O. Box 18145, Oklahoma City, Oklahoma 73154

The Authority provides loans to qualified persons at participating educational institutions through the issuance of tax-exempt revenue bonds or other debt obligations.

**OKLAHOMA HOUSING FINANCE AGENCY**

100 N.W. 63rd Street, Suite 200, Oklahoma City, Oklahoma 73116  
The Agency is authorized to issue revenue bonds and notes in order to provide funds to promote the development of adequate residential housing and other economic development for the benefit of the State of Oklahoma.

**OKLAHOMA TURNPIKE AUTHORITY**

4401 W. Memorial Rd, Suite 130, Oklahoma City, Oklahoma 73134  
The Authority is authorized to construct, maintain, repair, and operate turnpike projects at locations authorized by the Legislature and approved by the Department of Transportation. The Authority receives revenues from turnpike tolls and a percentage of the turnpike concessions sales. The Authority issues revenue bonds to finance the cost of turnpike projects.

**GRAND RIVER DAM AUTHORITY**  
P.O. Box 409, Vinita, Oklahoma 74301

The Authority controls the waters of the Grand River system to generate water power and electric energy and to promote irrigation, conservation and development of natural resources. The Authority produces and distributes electrical power for sale to customers primarily located in northeastern Oklahoma.

**OKLAHOMA MUNICIPAL POWER AUTHORITY**  
P.O. Box 1960, Edmond, Oklahoma 73083

The Authority provides a means for the municipal electric systems in the state to jointly plan, finance, acquire, and operate electrical power supply facilities necessary to meet the electrical energy requirements of their consumers. The Authority also sells electric power to its member municipalities.

**HIGHER EDUCATION**

Higher Education is primarily comprised of colleges and universities which are members of the Oklahoma State System of Higher Education. The System includes the following colleges and universities:

**COMPREHENSIVE UNIVERSITIES**  
University of Oklahoma  
Oklahoma State University

**OTHER FOUR YEAR UNIVERSITIES**  
University of Central Oklahoma

East Central University  
Northeastern State University  
Northwestern Oklahoma State University  
Southeastern Oklahoma State University  
Southwestern Oklahoma State University  
Cameron University  
Langston University  
Oklahoma Panhandle State University  
Rogers State University  
University of Science and Arts of Oklahoma

### **TWO YEAR COLLEGES**

Carl Albert State College  
Connors State College  
Eastern Oklahoma State College  
Redlands Community College  
Murray State College  
Northeastern Oklahoma A & M College  
Northern Oklahoma College  
Oklahoma City Community College  
Rose State College  
Seminole State College  
Tulsa Community College  
Western Oklahoma State College

Each institution which is a member of the Oklahoma State System of Higher Education (the "System") is governed by Board of Regents. The Boards of Regents consist of five to ten members appointed by the Governor, with the advice and consent of the Senate. The colleges and universities are funded through state appropriations, tuition, federal grants, and private donations and grants. Also included in the Higher Education Component Unit are the following entities:

**Oklahoma State Regents for Higher Education** serves as the coordinating board of control for the System.

**Regional University System of Oklahoma Regents** has legislative powers and duties to manage, supervise, and control operation of the six regional state universities which are the University of Central Oklahoma, East Central University, Northeastern State University, Northwestern Oklahoma State University, Southeastern Oklahoma State University, and Southwestern Oklahoma State University.

**University Center of Southern Oklahoma** was established to make higher education available to those persons who might otherwise not be able to attend an institution of higher learning in southern Oklahoma. Students enrolled in the Program earn credit applicable toward academic degrees and certificates at participating institutions in the System.

**University Center at Ponca City** was established to make higher education available to those persons who might otherwise not be able to attend an institution of higher learning in northern Oklahoma. Students enrolled in the Program earn credit applicable toward academic degrees and certificates at participating institutions in the System.

**Rose State College Technical Area Education District, South Oklahoma City Area School District, and Tulsa Community College Area School District #18** were created to provide secondary vocational, technical, and adult education programs for persons within their defined geographical boundaries.

**State of Oklahoma**  
**Combining Statement of Net Position**  
**Major Component Units**  
**June 30, 2013**  
(expressed in thousands)

	CompSource Oklahoma	Oklahoma Student Loan Authority	Oklahoma Housing Finance Agency	Oklahoma Turnpike Authority	Grand River Dam Authority	Oklahoma Municipal Power Authority	Higher Education Component Unit	Nonmajor Component Units Total	All Component Units Total
<b>Assets</b>									
Current Assets									
Cash/Cash Equivalents									
Unrestricted Investments	\$ 57,953	\$ 5	\$ 18,146	\$ 24,585	\$ 11,471	\$ 852	\$ 1,323,923	\$ 146,360	\$ 1,583,295
Investments	1,335,520	25,855	3,186	31,272	89,898	16,870	980,830	29,562	2,512,993
Accounts Receivable	0	0	613	429	57,837	14,816	322,244	133	396,072
Interest and Investment Revenue Receivable	9,943	29	268	1,833	2,047	272	3,717	268	18,377
Federal Grants Receivable	0	0	0	0	0	0	8,001	0	8,001
Other Receivables	4,135	0	0	0	0	0	66,919	120	71,174
Notes Receivable	58,032	0	0	0	0	0	14,411	2,192	74,635
Due from Other Component Units	165	0	0	0	1,476	0	132	615	2,388
Due from Primary Government	1,044	0	0	3,339	1,231	0	13,687	8,374	27,675
Inventory	0	0	0	6,224	82,917	7,040	24,273	0	120,454
Prepaid Items	0	0	302	0	7,431	0	11,246	157	19,136
Other Current Assets	5,424	0	0	0	0	3,643	45,403	445	54,915
Total Current Assets	1,472,216	25,889	22,515	67,682	254,308	43,493	2,814,786	188,226	4,889,115
Noncurrent Assets									
Cash/Cash Equivalents - Restricted	0	818	87,207	255,033	54,726	0	503,365	688	901,837
Investments - Restricted	0	30,390	551,391	149,051	379,149	103,402	1,133,053	35,696	2,382,132
Long-Term Investments Unrestricted	0	0	70,034	0	0	23,878	812,032	0	905,944
Long-Term Notes Receivable, Net	18,584	1,998	0	0	0	0	44,170	5,785	70,537
Unrestricted	0	614,653	1,443	0	0	0	0	0	616,096
Capital Assets									
Depreciable, Net	13,305	1,330	2,358	839,646	729,625	419,644	4,271,576	251,855	6,529,339
Land	1,179	0	550	162,966	35,924	0	172,931	4,035	377,585
Construction in Progress	0	0	0	144,400	29,772	1,932	257,908	12,030	446,042
Other Noncurrent Assets									
Unrestricted	6,283	1,052	0	4,178	24,539	115,700	63,274	20,116	235,142
Restricted	0	5,941	9,262	0	0	567	82,278	35	98,083
Total Noncurrent Assets	39,351	656,182	722,245	1,555,274	1,253,735	665,123	7,340,587	330,240	12,562,737
Total Assets	1,511,567	682,071	744,760	1,622,956	1,508,043	708,616	10,155,373	518,466	17,451,852
<b>Deferred Outflow of Resources</b>									
Accumulated decrease in fair value of derivatives	0	0	0	79,639	0	12,110	0	0	91,749
Lease Restructure	0	0	0	0	0	0	16,217	0	16,217
Advance refunding of bonds	0	0	0	79,616	0	0	3,233	0	82,849
Defeasance of bonds	0	0	0	0	0	0	7,365	0	7,365
Total Deferred Outflows	0	0	0	159,255	0	12,110	26,815	0	198,180

The Notes to the Financial Statements are an integral part of this statement.

	CompSource Oklahoma	Oklahoma Student Loan Authority	Oklahoma Housing Finance Agency	Oklahoma Turnpike Authority	Grand River Dam Authority	Oklahoma Municipal Power Authority	Higher Education Component Unit	Nonmajor Component Units Total	All Component Units Total
<b>Liabilities</b>									
Current Liabilities									
Accounts Payable and Accrued Liabilities	0	1,373	1,795	30,733	42,173	25,160	202,268	24,399	327,901
Payable Under Securities									
Claims and Judgments	214,550	0	0	0	0	0	3,401	26,294	244,245
Interest Payable	0	392	2,051	18,796	3,739	13,391	18,568	754	57,691
Due to Fiduciary Funds	0	0	64	0	1,244	0	0	0	1,308
Due to Other Component Units	0	0	0	39	102	1,474	641	119	2,375
Due to Primary Government	111	0	4	10	256	0	873	6	1,260
Capital Leases	0	0	0	0	0	0	41,083	0	41,083
Capital Leases-Primary Govt.	0	0	0	0	0	0	17,844	0	17,844
Compensated Absences	1,827	260	958	1,941	3,989	0	75,313	322	84,610
Notes Payable	0	0	0	19,490	0	1,778	69,876	1,553	92,697
General Obligation Bonds	0	0	0	0	0	0	0	655	655
Revenue Bonds	0	0	92,376	49,310	91,110	18,635	42,156	14,507	308,094
Other Current Liabilities	15,811	0	0	0	0	2,721	262,261	171	280,964
Total Current Liabilities	232,299	2,025	97,248	120,319	142,613	63,159	734,284	68,780	1,460,727
Noncurrent Liabilities									
Claims and Judgments	838,511	0	0	0	0	0	3,989	267,969	1,110,469
Due to Primary Government	0	0	0	52,433	0	0	0	0	52,433
Capital Leases	0	0	0	0	0	0	345,320	0	345,320
Capital Leases-Primary Govt.	0	0	0	0	0	0	567,790	0	567,790
Compensated Absences	0	0	0	0	0	0	33,720	120	33,840
Notes Payable	0	38,200	0	0	0	43,868	68,889	18,612	169,569
General Obligation Bonds	0	0	0	0	0	0	0	45,465	45,465
Revenue Bonds	0	582,361	472,975	1,035,950	820,852	571,560	1,263,838	57,665	4,805,201
Unamortized Premium (Discount)	0	0	0	74,267	0	4,351	0	34	78,652
Unamortized net deferred debt on refunding	0	0	0	0	0	(15,023)	0	0	(15,023)
Other Noncurrent Liabilities	0	0	737	79,639	16,594	24,634	378,211	18,186	518,001
Total Noncurrent Liabilities	838,511	620,561	473,712	1,242,289	837,446	629,390	2,661,757	408,051	7,711,717
Total Liabilities	1,070,810	622,586	570,960	1,362,608	980,059	692,549	3,396,041	476,831	9,172,444
<b>Deferred Inflow of Resources</b>									
Deferred Revenue Service Concession Arrangements	82,552	0	260	23,130	0	0	138,848	208	244,998
Total Deferred Inflows	0	0	0	0	0	0	1,163	0	1,163
<b>Net Position</b>	<b>82,552</b>	<b>0</b>	<b>260</b>	<b>23,130</b>	<b>0</b>	<b>0</b>	<b>140,011</b>	<b>208</b>	<b>246,161</b>
Invested in Capital Assets,									
Net of Related Debt	14,484	1,330	2,908	155,631	268,687	(14,267)	2,488,808	218,952	3,136,533
Restricted for:									
Debt Service	0	0	116,214	128,114	56,887	14,061	60,403	0	375,679
Other Special Purpose Expendable	5,000	29,650	3,772	56,274	750	9,159	2,875,231	3,575	2,983,411
Unrestricted	338,721	28,505	50,646	56,454	201,660	19,224	1,221,694	(181,100)	1,735,804
Total Net Position	\$ 358,205	\$ 59,485	\$ 173,540	\$ 396,473	\$ 527,984	\$ 28,177	\$ 6,646,136	\$ 41,427	\$ 8,231,427

The Notes to the Financial Statements are an integral part of this statement.

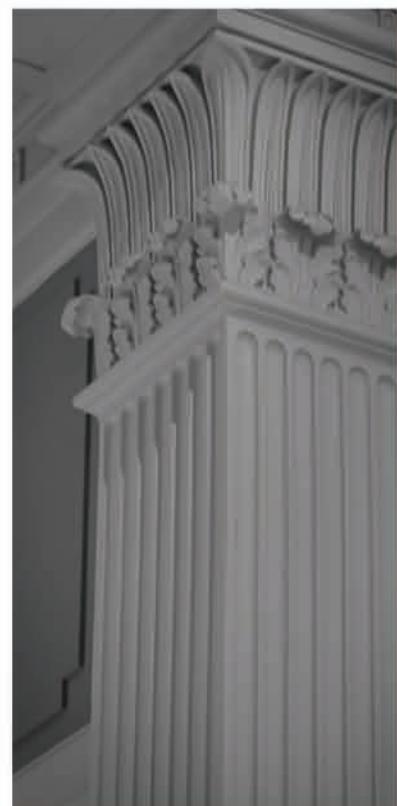
**State of Oklahoma**  
**Combining Statement of Activities**  
**Major Component Units**  
For the Fiscal Year Ended June 30, 2013  
(expressed in thousands)

	Program Revenues				General Revenue				Net Position		
	Operating		Payments from		Change in		Beginning	Net Position			
	Expenses	Charges for Services	Grants and Contributions	Net (Expense) Revenue	Primary Government	Net Position	of Year	End of Year			
<b>Component Units:</b>											
CompSource Oklahoma	\$ 329,103	\$ 368,753	\$ 0	\$ 39,650	\$ 0	\$ 39,650	\$ 318,555	\$ 358,205			
Oklahoma Student Loan Authority	18,576	19,195	0	619	0	619	58,866	59,485			
Oklahoma Housing Finance Agency	191,066	47,532	147,323	3,789	0	3,789	169,751	173,540			
Oklahoma Turnpike Authority	208,825	241,379	0	32,554	0	32,554	363,919	396,473			
Grand River Dam Authority	369,979	423,614	0	53,635	0	53,635	474,349	527,984			
Oklahoma Municipal Power Authority	170,915	175,506	0	4,591	0	4,591	23,586	28,177			
Higher Education Component Unit	5,289,921	2,537,759	1,412,335	(1,339,827)	2,003,101	663,274	5,982,862	6,646,136			
Nonmajor Component Units Total	371,881	235,981	1,603	(134,297)	73,371	(60,926)	102,353	41,427			
<b>Total Component Units</b>	<b>\$ 6,950,266</b>	<b>\$ 4,049,719</b>	<b>\$ 1,561,261</b>	<b>\$ (1,339,286)</b>	<b>\$ 2,076,472</b>	<b>\$ 737,186</b>	<b>\$ 7,494,241</b>	<b>\$ 8,231,427</b>			

The Notes to the Financial Statements are an integral part of this statement.



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# Notes to the Financial Statements

# **Notes to the Financial Statements**

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FISCAL YEAR ENDED JUNE 30, 2013

### Note 1. Summary of Significant Accounting Policies

The accompanying financial statements of the State of Oklahoma (the “State”) have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

In November of 2010 the Governmental Accounting Standards Board (GASB) issued Statement 60 *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties.

The State was required to implement this standard for the fiscal year ended June 30, 2013.

In November 2010 GASB issued Statement 61 *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. The objective of this statement is to improve financial reporting for a governmental financial reporting entity. This statement addresses reporting entity issues that have arisen since the issuance of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments*. This statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. It applies to financial reporting by primary governments and other stand-alone governments, and to the separately issued financial statements of governmental component units as defined in paragraph 9 of Statement 14. In addition, the Statement should be applied to nongovernmental component units when they are included in a governmental financial reporting entity.

The State was required to implement this standard for the fiscal year ended June 30, 2013.

In December 2010 GASB issued Statement 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate in the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations.
2. Accounting Principles Board Opinions.
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure.

The State was required to implement this standard for the fiscal year ended June 30, 2013.

In June 2011 the GASB issued Statement 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

The State was required to implement this standard for the fiscal year ended June 30, 2013.

In March 2012 the GASB issued Statement 65 *Items Previously Reported as Assets and Liabilities*. The objective of this statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred

outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows or of resources (revenues). These determinations are based on the definitions of those elements in Concepts Statement No. 4, *Elements of Financial Statements*.

The State is required to implement this standard for the fiscal year ending June 30, 2014. The State has chosen to implement Statement 65 for the fiscal year ended June 30, 2013.

The accompanying financial statements present the financial position of the State and the various funds and fund types, the results of operations of the State and the various funds and fund types, and the cash flows of the proprietary funds. The financial statements are presented as of June 30, 2013, and for the year then ended. The financial statements include the various agencies, boards, commissions, public trusts, authorities and other organizational units governed by the Oklahoma State Legislature and/or Constitutional Officers of the State of Oklahoma.

#### **A. Reporting Entity**

The State has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State. Local school districts (the State's support of the public education system is reported in the General Fund) and other local authorities of various kinds that may meet only one of the criteria for inclusion in this report have not been included.

As required by generally accepted accounting principles (GAAP), these financial statements present the State of Oklahoma (the Primary Government) and its component units.

#### **Discrete Component Units**

Component units are entities which are legally separate from the State, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. Separately issued independent audit reports may be obtained from the Office of Management and Enterprise Services, 2300 North Lincoln Blvd., Suite 122, Oklahoma City, Oklahoma 73105. The audit reports may also be obtained from the respective component units at the addresses presented on the description page of the Fund Financial Statements section for the Major Component Units, and the description page in the Combining Financial Statement section of this report for the NonMajor Component Units.

The Component Units columns of the government-wide financial statements include the financial data of the following entities:

#### **MAJOR COMPONENT UNITS**

**CompSource Oklahoma** provides a source for workers' compensation insurance for all public and private employers within the State and operates similarly to an insurance company. CompSource is financed through employer premiums. The Board of Directors is comprised of ten members: the Lieutenant Governor, the State Auditor and Inspector or a designee, one member appointed by the Governor, one member appointed by the Speaker of the House of Representatives, one member appointed by the President Pro Tempore of the Senate, four members shall be elected by the Company's policy holders, and the CEO of CompSource Oklahoma. The State can impose its will on the Fund by its ability to remove state appointed Board members at will. The Fund was audited by other independent auditors for the year ended December 31, 2012, and their report, dated March 27, 2013, has been previously issued under separate cover.

**Oklahoma Student Loan Authority** provides loan funds to qualified persons at participating educational institutions through the issuance of tax-exempt revenue bonds or other debt obligations. The Authority is

composed of five members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended June 30, 2013, and their report, dated November 5, 2013 has been previously issued under separate cover.

**Oklahoma Housing Finance Agency** is authorized to issue revenue bonds and notes in order to provide funds to promote the development of residential housing and other economic development for the benefit of citizens. In addition, the Agency administers Section 8 Housing Assistance Payments programs for the U.S. Department of Housing and Urban Development. The Board of Trustees consists of five members appointed by the Governor. The State can impose its will on the Agency by its ability to veto or modify the Agency's decisions. The Agency was audited by other independent auditors for the year ended September 30, 2012, and their report, dated January 28, 2013, has been previously issued under separate cover.

**Oklahoma Turnpike Authority** constructs, maintains, repairs, and operates turnpike projects at locations authorized by the Legislature and approved by the State Department of Transportation. The Authority receives its revenues from turnpike tolls and a percentage of turnpike concession sales. The Authority issues revenue bonds to finance turnpike projects. The Authority consists of the Governor and six members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended December 31, 2012, and their report, dated March 27, 2013, has been previously issued under separate cover.

**Grand River Dam Authority** controls the waters of the Grand River system to develop and generate water power and electric energy, and to promote irrigation, conservation and development of natural resources. The Authority produces and distributes electrical power for sale to customers primarily located in northeastern Oklahoma. The customers consist of rural electric cooperatives, municipalities, industries and off-system sales. The seven member Board of Directors consists of the General Manager of the Oklahoma Association of Electric Cooperatives, the Executive Director of the Municipal Electric Systems of Oklahoma, and appointees by the Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate. The State can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended December 31, 2012, and their report, dated March 31, 2013, has been previously issued under separate cover.

**Oklahoma Municipal Power Authority** provides a means for the municipal electric systems in the State to jointly plan, finance, acquire, and operate electrical power supply facilities. Facilities are financed through the issuance of revenue bonds, which are approved by the State's Bond Oversight Commission. Exclusion of the Component Unit would cause the State's financial statements to be misleading or incomplete. The Authority was audited by other independent auditors for the year ended December 31, 2012, and their report, dated March 29, 2013, has been previously issued under separate cover.

**Higher Education Component Unit** - This component unit is primarily comprised of the 25 colleges and universities that are members of the Oklahoma State System of Higher Education (the System). All of the colleges and universities have foundations that receive and hold economic resources for the benefit of their associated entity. These foundations are component units of their respective college or university and are included as part of the Higher Education Component Unit. Separately issued independent audit reports for each college, university, foundation, or other included entity may be obtained from the Office of Management and Enterprise Services, 2300 North Lincoln Blvd., Suite 122, Oklahoma City, Oklahoma 73105. Each institution in the System is governed by a Board of Regents. The Boards of Regents consist of five to ten members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on each institution by its ability to modify and approve their budget. The colleges and universities are funded through State appropriations, tuition, federal grants, and private donations and grants. Also included in the Higher Education Component Unit are the following entities:

- **Oklahoma State Regents for Higher Education** serves as the coordinating board of control for the System. The Board of Regents for Higher Education consists of nine members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the State Regents for Higher Education by its ability to modify and approve their budget.
- **Regional University System of Oklahoma** has legislative powers and duties to manage, supervise, and control operation of the six regional State universities which are the University of Central Oklahoma, East Central University, Northeastern State University, Northwestern Oklahoma State University, Southeastern Oklahoma State University, and Southwestern Oklahoma State University. The Board consists of the State Superintendent of Public Instruction and eight members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Board of Regents by its ability to modify and approve their budget. Each of the six regional State universities has one or more foundations that are component units of their respective university and are included in the Higher Education Component Unit.
- **University Center of Southern Oklahoma (formerly known as Ardmore Higher Education Program)** was established to make higher education available to those persons who might otherwise not be able to attend an institution of higher learning. Students enrolled in the Center earn credit applicable toward academic degrees and certificates at participating institutions in the System. Participating Institutions are: East Central University, Murray State University, and Southeastern Oklahoma State University. The Center is administered by a Board of Trustees appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Center by its ability to modify and approve their budget.
- **Rose State College Technical Area Education District, South Oklahoma City Area School District, and Tulsa Community College Area School District #18** were created to provide postsecondary vocational, technical, and adult education programs for persons within their defined geographical boundaries. The primary source of operating funds is ad valorem taxes assessed against real property located in their districts. The Districts are component units of Rose State College, Oklahoma City Community College, and Tulsa Community College, respectively.
- **University Center at Ponca City** was established to make educational program resources in the Oklahoma State System of Higher Education available to the citizens in Northern Oklahoma and the Ponca City community. The Center is administered by a Board of Trustees consisting of nine members appointed by the Governor with the advice and consent of the Senate. The State can impose its will on the Center by its ability to modify and approve their budget.

#### **NONMAJOR COMPONENT UNITS**

**Oklahoma Educational Television Authority** (OETA) was created to “make educational television services available to all Oklahoma citizens on a coordinated statewide basis.” The Board of Directors is comprised of thirteen members, seven of which are appointed by the Governor, with the advice and consent of the Senate. A financial benefit/burden relationship exists between the State and OETA. OETA also has a non-profit foundation that was established to receive private donations and contributions for the benefit of OETA. This foundation qualifies as a component unit of OETA, and is combined with OETA. OETA was audited by other independent auditors for the year ended June 30, 2013, and their report, dated October 4, 2013, has been previously issued under separate cover.

**Oklahoma Industrial Finance Authority** assists with the State's industrial development by making loans to authorized industrial development agencies or trusts and new or expanding industries within Oklahoma. These loans are secured by first or second mortgages on real estate and equipment. The Authority's loans are financed by issuance of general obligation bonds. The Board of Directors is comprised of seven members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended June 30, 2013, and their report, dated October 16, 2013, has been previously issued under separate cover.

**Health Insurance High Risk Pool** (HIHRP) provides health insurance to Oklahomans who are unable to obtain coverage from independent insurers. HIHRP is financed by assessments levied on independent insurers. The Board consists of nine members appointed by the Insurance Commissioner. The State can impose its will on HIHRP by its ability to modify the decisions of the Board. HIHRP was audited by other

independent auditors for the year ended June 30, 2013, and their report, dated October 25, 2013, has been previously issued under separate cover.

**Multiple Injury Trust Fund** provides benefits to a worker with a pre-existing disability who suffers a second on-the-job injury. The State can impose its will on the Fund by its ability to remove management (appointees) at will. The Fund was audited by other independent auditors for the period ended December 31, 2012, and their report, dated June 25, 2013, has been previously issued under separate cover.

**University Hospitals Authority** consists of The University Hospital and Children's Hospital of Oklahoma, and their related clinics and other services. The Authority is affiliated with the University of Oklahoma Health Sciences Center whose medical school residents and staff provide patient care, in-service education, and certain administrative duties for the benefit of the Authority. The Authority is governed by a six-member board consisting of appointees of the Governor, Speaker of the House of Representatives, and the President Pro Tempore of the Senate, and officials from the State Medicaid Program, the University of Oklahoma Health Sciences Center and the Authority. A financial benefit/burden relationship exists between the State and the Authority. The Authority was audited by other independent auditors for the year ended June 30, 2013, and their report, dated October 31, 2013, has been previously issued under separate cover.

**Oklahoma Development Finance Authority** provides financing for both public and private entities in the State. The Authority obtains funds through the issuance of bonds and notes. Private entities qualifying for financing are generally agricultural, civic, educational, health care, industrial, or manufacturing enterprises. Financing is also provided to governmental agencies and instrumentalities of the State. The Governing Board, appointed by the Governor, with the advice and consent of the Senate, is comprised of seven members: one person selected from each of the six Congressional Districts of the State as they existed in 1960 and the Director of the Department of Commerce. The State can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended June 30, 2013, and their report, dated October 25, 2013, has been previously issued under separate cover.

**Oklahoma Capital Investment Board** assists the State with industrial development by mobilizing equity and near-equity capital making investments for the potential creation of jobs and growth that will diversify and stabilize the economy. The Board of Directors is comprised of five members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Board by its ability to veto or modify the Board's decisions. The Board, in order to mobilize investments, owns the Oklahoma Capital Formation Company LLC (OCFC), a formerly independent corporation. During fiscal year 2006, the Board purchased 100% of the ownership of the OCFC. In fiscal year 2007 OCFC changed its corporate structure and name from a corporation to an Oklahoma limited liability company (LLC). Operations of the OCFC are included in the financial results of the Board. The Board was audited by other independent auditors for the year ended June 30, 2013, and their report, dated September 5, 2013, has been previously issued under separate cover.

**Oklahoma State University Medical Authority** is affiliated with the Oklahoma State University Center for Health Sciences to provide funding, teaching and training for graduate medical students. It also serves as a site for conducting medical research by faculty and providing patient care. The board is governed by seven members which consists of the following: a member appointed by the Governor, with the advice and consent of the Senate, a member appointed by the President Pro Tempore of the Senate, a member appointed by the Speaker of the House of Representatives, the CEO of the Oklahoma Health Care Authority, or his or her designee, the President of the OSU Center for Health Sciences, CEO of the Oklahoma State University Medical Authority and an appointee of the President of Oklahoma State University. A financial benefit\burden exists between the Authority and the State. The Authority was audited by other independent auditors for the year ended June 30, 2013, and their report, dated October 30, 2013, has been issued under separate cover.

## **FIDUCIARY COMPONENT UNITS**

Six Public Employee Retirement Systems (PERS) administer pension funds for the State and its political subdivisions. The six PERS are subject to State legislative and executive controls and the administrative expenses are subject to legislative budget controls. These legally separate component units, while meeting the definition of a component unit, are presented in the fund financial statements along with other primary government fiduciary funds of the State. They have been omitted from the Government-Wide Financial Statements.

Separately issued independent audit reports are available even though they are excluded from the Government-Wide Financial Statements. They may be obtained from the Office of Management and Enterprise Services, 2300 North Lincoln Blvd., Suite 122, Oklahoma City, Oklahoma 73105, or the respective fiduciary component units at the addresses presented on the description page of the Combining Financial Statement section of this report.

**Oklahoma Firefighters Pension and Retirement System** provides retirement benefits for municipal firefighters. The System is administered by a board comprised of thirteen members: The President of the Professional Fire Fighters of Oklahoma, the President of the Oklahoma State Retired Fire Fighters Association, the State Insurance Commissioner, and the Director of State Finance (or their designees), the five members of the Board of Trustees of the Oklahoma Firefighters Association, and appointees by the Speaker of the House of Representatives, the President Pro Tempore of the Senate, and the President of the Oklahoma Municipal League. The System was audited by other independent auditors for the year ended June 30, 2013, and their report, dated October 7, 2013, has been previously issued under separate cover.

**Oklahoma Law Enforcement Retirement System** provides retirement benefits for qualified law enforcement officers. The System is administered by a board comprised of thirteen members: The Assistant Commissioner of Public Safety, the Director of State Finance (or his designee), members of the Department of Public Safety, the Oklahoma State Bureau of Investigation, the Oklahoma State Bureau of Narcotics and Dangerous Drugs Control, and the Alcoholic Beverage Laws Enforcement Commission, and appointees by the Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate. The System was audited by other independent auditors for the year ended June 30, 2013, and their report, dated October 21, 2013, has been previously issued under separate cover.

**Oklahoma Public Employees Retirement System** administers the Oklahoma Public Employee Retirement Plan which provides retirement benefits for State, county and local employees. The board is comprised of thirteen members: the State Insurance Commissioner and the Director of the Office of Management and Enterprise Services (or their designees), a member of the Corporation Commission selected by the Corporation Commission, the Director of Human Capital Management of the Office of Management and Enterprise Services, a member of the Oklahoma Tax Commission selected by the Tax Commission, three appointees by the Governor, one member appointed by the Supreme Court, two members appointed by the Speaker of the House of Representatives, and two members appointed by the President Pro Tempore of the Senate. The System was audited by other independent auditors for the year ended June 30, 2013, and their report, dated October 17, 2013, has been previously issued under separate cover.

**Uniform Retirement System for Justices and Judges** is administered by the Oklahoma Public Employee Retirement System and provides retirement benefits for justices and judges. The System was audited by other independent auditors for the year ended June 30, 2013, and their report, dated October 17, 2013, has been previously issued under separate cover.

**Oklahoma Police Pension and Retirement System** provides retirement benefits for police officers employed by participating municipalities. The System is administered by a Board comprised of thirteen members: Seven members elected from the seven Districts, the Director of State Finance, the State Insurance Commissioner and the President of the Oklahoma Municipal League (or their designees), and appointees by the Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate. The System was audited by other independent auditors for the year ended June 30, 2013, and their report, dated September 16, 2013, has been previously issued under separate cover.

**Teachers' Retirement System of Oklahoma** provides retirement allowances and benefits for qualified persons employed by State-supported educational institutions. The System is administered by a board

consisting of the Superintendent of Public Instruction, the Director of the State Department of Vocational and Technical Education, the Director of State Finance (or their designees), and appointees by the Governor, with the advice and consent of the Senate, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives. The System was audited by other independent auditors for the year ended June 30, 2013, and their report, dated November 11, 2013, has been previously issued under separate cover.

### **Related Organizations and Related Parties**

Organizations for which a primary government is accountable because the State appoints a voting majority of the board, but is not financially accountable, are considered to be related organizations. The Oklahoma Ordinance Works Authority (OWA) is a related organization of the State. The State appoints a voting majority of the Trustees of OWA but has no further accountability.

### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (the statement of net position and the statement of activities) report information for all of the non-fiduciary activities of the Primary Government and its Component Units. For the most part, the effect of interfund activity has been removed from these government-wide statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the Primary Government is reported separately from the legally separate Component Units for which the Primary Government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment, or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues. The State does not allocate general government (indirect) expenses to other functions.

Net position is restricted when constraints placed on it is either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds and similar component units, and major component units. However, the fiduciary funds are not included in the government-wide statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

**Government-Wide Financial Statements** – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Governmental Fund Financial Statements** – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues to be available if they are collected within sixty days of the end of the current fiscal year end. Principal revenue sources considered susceptible to accrual include federal grants, interest on investments, sales and income taxes, and lease payments receivable. Some revenue items that are considered measurable and available to finance operations during the year from an accounting perspective are not available for expenditure due to the State's present appropriation system. These revenues have been accrued in accordance with GAAP since they have been earned and are expected to be

collected within sixty days of the end of the period. Other revenues are considered to be measurable and available only when cash is received by the State.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include:

- Employees' vested annual leave is recorded as an expenditure as it is utilized. Unused reimbursable leave following an employee's resignation or retirement that is unpaid at year end is recognized as an expenditure and a liability of the fund.
- Interest on general long-term obligations is recognized when paid.
- Executory purchase orders and contracts are recorded as a commitment of fund balance.
- Debt service expenditures and claims and judgments are recorded only when payment is due.

**Proprietary Funds, Fiduciary Funds and Similar Component Units, and Component Units Financial Statements –** The financial statements of the proprietary funds, fiduciary funds and similar component units, and component units are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

Each proprietary fund has the option under Governmental Accounting Standards Board (GASB), Statement 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting* to elect to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Primary Government's three enterprise funds have elected to not apply FASBs issued after the applicable date. Each of the proprietary component units have individually made this election as disclosed in their separate audit reports.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the State's enterprise funds are requisitioned from the Oklahoma Unemployment Insurance Trust Fund held by the U.S. Treasury for payment of unemployment benefits, monthly premiums for self-funded insurance benefits provided to statutorily defined state employees by the Employees Group Insurance Division, interest revenue charges for loans made to local entities by the Oklahoma Water Resources Board (OWRB), and the sale of lottery tickets and related chance games by the Lottery Commission. The OWRB reports federal grants as both operating and nonoperating, depending on the types of grants received.

## **D. Fund Accounting**

The financial activities of the State are recorded in individual funds, each of which is deemed to be a separate accounting entity. The State uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The financial activities of the State that are reported in the accompanying financial statements have been classified into the following major governmental and proprietary funds. In addition, a description of the fiduciary and component units follows:

### **1. Governmental Funds**

**General Fund** - This fund accounts for all activities of the State not specifically required to be accounted for in other Funds. Included are transactions for services such as education, general government, health services, legal and judiciary, museums, natural resources, public safety and defense, regulatory services, social services, and transportation. Debt service transactions and related cash balances are reported in the General Fund with balances held to service imminent debt activity presented as a component of restricted fund balance.

**Commissioners of the Land Office Permanent Fund** – This fund accounts for the land and cash granted to the State by the United States Congress for the use and benefit of educational systems in Oklahoma. This fund's assets are held by the

State and only the income derived from the principal may be expended for designated operations. The principal must be preserved intact.

**Department of Wildlife Conservation Permanent Fund** – This fund accounts for moneys held in trust for the improvement and preservation of wildlife. The moneys have been accumulated from the sale of lifetime hunting and fishing licenses. This fund's assets are held by the State and only the income derived from the principal may be expended for designated operations. The principal must be preserved intact.

**Tobacco Settlement Endowment Permanent Fund** – This fund accounts for certain moneys transferred from the General Fund that were received in settlement of claims by the State against tobacco manufacturers. The earnings from these moneys are to be utilized for research, education, prevention and treatment of tobacco related diseases and certain other health programs. The principal must be preserved intact.

## **2. Proprietary Funds**

These funds account for those activities for which the intent of management is to recover, primarily through user charges, the cost of providing goods or services to the general public, or where sound financial management dictates that periodic determinations of results of operations are appropriate.

**Employees Group Insurance Division of the Office of Management and Enterprise Services** provides group health, life, dental, disability and other benefits to active State employees and local government employees, as well as varying coverages for active education employees and certain participants of the State's retirement systems, survivors, and persons covered by COBRA. Coverages are funded by monthly premiums paid by employers and employees.

**Employment Security Commission Enterprise Fund** - This fund accounts for the deposit of moneys requisitioned from the Unemployment Insurance Trust Fund held by the U.S. Treasury for payment of unemployment benefits and administrative costs.

**Oklahoma Water Resources Board Enterprise Fund** - This fund is comprised of Oklahoma Water Resources Board and the Department of Environmental Quality bond issues and revolving loan programs. These programs make loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems.

**Oklahoma Lottery Commission Enterprise Fund** – This fund operates the state-wide lottery program and related chance games, seeking to generate additional revenues for the benefit of the State's educational system.

## **3. Fiduciary Funds and Similar Component Units**

The State presents as fiduciary funds those activities that account for assets held in a trustee capacity or as an agent for individuals, private organizations or other governmental units.

**Pension Trust Funds** - These Funds account for the transactions, assets, liabilities, and net position of the Wildlife Conservation Retirement Plan in the Primary Government, and six Public Employee Retirement Systems (PERS) that meet the definition of a component unit of the State.

**Agency Funds** - These Funds account for the assets held for distribution by the State as an agent for other governmental units, other organizations or individuals.

## **4. Component Units**

These entities are legally separate from the State but are considered part of the reporting entity. These Funds meet the definition of both a component unit and that of an enterprise fund as previously described. The six Public Employee Retirement Systems (PERS) meet the definition of a component unit, but are presented with the other fiduciary funds of the State.

## **5. Financial Statement Reporting Periods**

The accompanying financial statements of the State are presented as of June 30, 2013, and for the year then ended, except for the following funds and entities which were audited by other independent auditors.

CompSource Oklahoma	12-31-12
Multiple Injury Trust Fund	12-31-12
Employees Group Insurance Division	12-31-12
Oklahoma Turnpike Authority	12-31-12
Grand River Dam Authority	12-31-12
Oklahoma Municipal Power Authority	12-31-12
Oklahoma Housing Finance Agency	09-30-12

## **E. Budgeting and Budgetary Control**

The State's annual budget is prepared on the cash basis utilizing encumbrance accounting. Encumbrances represent executed but unperformed purchase orders. In the accompanying financial statements, encumbrances are recorded as expenditures for budgetary purposes if expected to be presented for payment by November 15 following the end of the fiscal year and as a component of either restricted or committed fund balance for GAAP purposes. Since the budgetary basis differs from GAAP, budget and actual amounts in the accompanying Required Supplementary Information – Budgetary Schedules are presented on the budgetary basis. A reconciliation of revenues in excess of (less than) expenditures and other financing sources (uses) on a budgetary basis at June 30, 2013 to revenues in excess of (less than) expenditures and other financing sources (uses) presented in conformity with GAAP is set forth in the Notes to Required Supplementary Information.

The Governor prepares and submits to the Legislature at the beginning of each annual legislative session a balanced budget based on budget requests prepared by the various State agencies. The General Fund is the only Fund for which an annual budget is legally adopted. Budgeted expenditures cannot exceed the amount available for appropriation as certified by the State Board of Equalization. The Legislature may modify the Governor's proposed budget as it deems necessary and legally enacts an annual State budget through the passage of appropriation bills. The Governor has the power to approve or veto each line item appropriation.

The legal level of budgetary control is maintained at the line item level (i.e., General Operations, Duties, etc.) identified in the appropriation acts. Budgets may be modified subject to statutory limits on transfers. The Director of State Finance can approve transfers of up to 25% between line items. The Contingency Review Board (a three-member board comprised of the Governor, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives) can approve transfers between line items of up to 40%. All transfers are subject to review by the Joint Legislative Committee on Budget and Program Oversight to determine if the transfer tends to effectuate or subvert the intention and objectives of the Legislature.

Current policy allows agencies to use unexpended moneys for one-time purchases or non-recurring expenditures in the next fiscal year. This policy provides an incentive for agency managers to distribute resources efficiently; however, it is subject to annual approval by the Legislature. Unexpended balances not carried forward to the new fiscal year by November 15 may: 1) lapse to unrestricted balances and be available for future appropriation, 2) lapse to restricted balances and be available for future appropriations restricted for specific purposes as defined by statute, or 3) be non-fiscal, and may be spent from one to thirty months from the date of appropriation.

If funding sources are not sufficient to cover appropriations, the Director of State Finance is required to reduce the budget by the amount of such deficiency. Any other changes to the budget must be approved by the Legislature in a supplemental appropriation. All fiscal year 2013 appropriated line items were within their authorized spending level.

## **F. Cash and Cash Equivalents**

The State uses a pooled cash concept in maintaining its bank accounts. All cash is pooled for operating and investment purposes and each fund has relative equity in the pooled amount. For reporting purposes, cash and related time deposits have been allocated to each fund based on its equity in the pooled amount. Interest earned on investments is allocated to the General Fund except for those investments made specifically for the proprietary fund type, fiduciary fund type,

proprietary component units, and higher education component unit, for each of which investment revenue is allocated to the investing fund.

The State Treasurer requires that financial institutions deposit collateral securities to secure the deposits of the State in each such institution. The State Treasurer also promulgates all rules and regulations regarding the amount of collateral securities that must be pledged to secure public deposits.

The Oklahoma Employment Security Commission Trust Fund is maintained to account for the collection of unemployment contributions from employers and the payment of unemployment benefits to eligible claimants. As required by Federal Law, all resources not necessary for current benefit payments are placed on deposit with the U.S. Treasury. Interest from these resources is retained in the Fund.

For purposes of reporting cash flows, cash equivalents are defined as short-term, highly liquid investments with a maturity of three months or less that are readily convertible to cash.

#### **G. Investments**

Investments, which may be restricted by law or legal instruments, are under control of either the State Treasurer or other administrative bodies as determined by law.

Investments are generally stated at fair value in accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

#### **H. Receivables**

Accounts receivable in all funds report amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible amounts.

Governmental fund type receivables consist primarily of amounts due from the Federal government. Interest and investment revenue receivable in all funds consist of revenues due on each investment. Taxes receivable in governmental funds represent taxes subject to accrual, primarily income taxes and sales taxes, which are collected within sixty days after year end. Lease payments receivable in the General Fund consists primarily of capital lease payments due for equipment and railroad lines owned by the Department of Transportation. Collectability of these lease payments is reasonably assured and no allowance for uncollectible amounts has been established.

Taxes receivable in enterprise funds represents unemployment taxes due at year end, net of an allowance for uncollectible amounts. The uncollectible amounts are based on collection experience and a review of the status of existing receivables.

#### **I. Inter/Intrafund Transactions**

**Interfund Transactions** - The State has two types of interfund transactions:

- Services rendered transactions are accounted for as revenues and expenditures or expenses in the funds involved.
- Operating appropriations/subsidies are accounted for as transfers in the funds involved.

**Intrafund Transactions** - Intrafund transfers, as a result of contracts among departments and/or agencies within the same fund, are considered expenditures by the contractor and revenues by the contractee for budgetary purposes. The Required Supplementary Information – Budgetary Schedules includes these transactions. However, as a general rule recorded intrafund revenues and expenditures have been eliminated in the GAAP-basis Government-Wide Financial Statements. A portion of motor fuel excise taxes collected on fuels consumed on the State's turnpikes is made available to the Oklahoma Turnpike Authority (OTA) from the Oklahoma Tax Commission. These taxes are apportioned to OTA monthly to fund debt service, but only to the extent amounts are not otherwise available to OTA. If the motor fuel excise taxes apportioned to OTA are not needed in the month of apportionment, the taxes are transferred to the Department of Transportation (DOT). Before these monthly transfers were mandated, a balance owed to DOT had accumulated and at year end this balance is presented as a noncurrent Due to Other Funds on the financial statements of OTA.

## **J. Inventories and Prepaid Expenses**

Inventories of materials and supplies are determined both by physical counts and through perpetual inventory systems. Generally, inventories are valued at cost and predominantly on either the first-in first-out or weighted average basis. Inventories of federal surplus properties are valued at a percentage of federal acquisition cost. General Fund inventories are recorded as expenditures when consumed rather than when purchased by recording adjustments to the inventory account on the balance sheet. The General Fund inventories on hand at year-end are reflected as a component of nonspendable fund balance on the balance sheet, except for \$778,000 in food commodities which is recorded as inventory and deferred revenue. Upon distribution, the food commodities are recognized as revenues and expenditures of the General Fund.

The value of the inventory of food commodities in the General Fund is calculated by using a weighted average cost based on the U.S. Department of Agriculture commodity price list at the inventory receipt date. The value of the inventory of food stamps in the General Fund is valued at coupon value.

Higher education component unit inventories are stated at the lower of cost or market, with cost being determined on either the first-in first-out or average cost basis.

Prepaid expenses are recorded using the “purchases method,” meaning that they are initially recorded as expenditures. At fiscal year-end, significant amounts of prepaid expenditures are shown as a component of nonspendable fund balance, indicating they do not constitute available expendable resources.

## **K. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (which are normally immovable and of value only to the State, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items), are reported in the applicable governmental or business-type activities columns in the Government-Wide Financial Statements. Capital assets are defined by the State as assets which have a cost of \$25,000 or more at the date of acquisition and have an expected useful life of five or more years. Purchased and constructed capital assets are valued at historical cost or estimated historical cost. Donated capital assets are recorded at their fair market value at the date of donation.

The estimates of historical costs of buildings and other improvements were based on appraised value, as of August 4, 1994, indexed to the date of acquisition. Infrastructure constructed prior to July 1, 2000 has been recorded at estimated historical cost. The estimated historical cost for years 1916-2000 was based on capital outlay expenditures reported by DOT and the Federal Highway Administration, less an amount estimated for the historical cost of the acquisition of land for right-of-way. The costs of normal maintenance and repairs that do not add to the asset's value or materially extend an asset's useful life are not capitalized. Interest incurred during construction of capital facilities is not capitalized.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements, as well as the proprietary funds and component unit's financial statements.

Capital assets of the Primary Government and the component units are depreciated on the straight-line method over the assets' estimated useful life. There is no depreciation recorded for land and construction in progress. Generally, estimated useful lives are as follows:

Machinery and Equipment	3 - 20 years
Buildings and Other Improvements	7 - 60 years
Infrastructure	30 years

Collections and works of art are not included in capital assets of the Primary Government on the Statement of Net Position. GASB Statement No. 34 does not require capitalization of collections if they meet all of the following criteria; held for public exhibition, education, or research in furtherance of service, rather than financial gain; protected, kept unencumbered, cared for, and preserved; and subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. The State elected not to capitalize collections and works of art since they meet all of the above conditions.

## **L. Other Assets**

Included in other assets (noncurrent for component units) are costs to be recovered from future revenues. Certain items included in the operating costs of Grand River Dam Authority, an unregulated enterprise, are recovered through rates set by the Board of Directors. Recognition of these costs, primarily depreciation on debt funded capital assets, amortization of debt discount and expense, and amortization of losses on advance refunding of long-term debt, is delayed to the extent that such costs will be included in rates charged in future years. The Oklahoma Municipal Power Authority (OMPA) enters into power sales contracts with participating municipalities that provide for billings to those municipalities for output and services of the projects. Revenues from these contracts provide for payment of current operating and maintenance expenses (excluding depreciation and amortization), as well as payment of scheduled debt principal and interest, and deposits into certain funds as prescribed in the bond resolutions. For financial reporting purposes, OMPA currently recognizes depreciation of assets financed by bond principal and amortization expense. The difference between current operating expenses and the amounts currently billed under the terms of the power sales contracts are delayed to future periods in which these amounts will be recovered through revenues.

## **M. Deferred Revenue**

Deferred revenues at the fund level arise when potential revenue does not meet the available criterion for recognition in the current period. Available is defined as due (or past due) at June 30, and collected within sixty days thereafter to pay obligations due at June 30. Deferred revenues also arise when resources are received by the State before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met, or when the State has a legal claim to the resources, the deferred inflow for deferred revenue is removed from the combined statement of net position, and revenue is recognized. Deferred revenues at the government-wide level arise only when the State receives resources before it has a legal claim to them. Also included in deferred revenue at both levels are the undistributed food commodity inventories.

## **N. Compensated Absences**

Employees earn annual vacation leave at the average rate of 10 hours per month for the first 5 years of service, 12 hours per month for service of 5 to 10 years, 13.33 hours per month for service of 10 to 20 years, and 16.67 hours per month for over 20 years of service. Unused annual leave may be accumulated to a maximum of 240 hours for employees with less than 5 years of continuous service or 480 hours for employees with 5 years or more of continuous service. All accrued annual leave is payable upon termination, resignation, retirement, or death. The governmental fund financial statements record expenditures when employees are paid for leave. The government-wide financial statements present the cost of accumulated vacation leave as a liability. The liability is valued based on current rate of pay. There is no liability for unpaid accumulated sick leave since the State does not have a policy to pay this amount when employees separate from service.

## **O. Risk Management**

The Risk Management Division of the OMES is responsible for the acquisition and administration of all insurance purchased by the State, or administration of any self-insurance plans and programs adopted for use by the State or for certain organizations and bodies outside of State government, at the sole expense of such organizations and bodies.

The Risk Management Division is authorized to settle claims of the State and oversee the dispensation and/or settlement of claims against a State political subdivision. In no event shall self-insurance coverage exceed the limitations on the maximum dollar amount of liability specified by the Oklahoma Governmental Tort Claims Act. The Risk Management Division oversees the collection of liability claims owed to the State incurred as the result of a loss through the wrongful or negligent act of a private person or other entity.

The Risk Management Division is also charged with the responsibility to immediately notify the Attorney General of any claims against the State presented to the Risk Management Division.

## **P. Federal Grants**

In addition to monetary transactions, federal grants also include non-monetary transactions for surplus inventory, food stamps, food, and other commodities. Surplus inventory is valued at a percentage of government acquisition cost. Food stamps are valued at coupon value. Commodities are valued at their federally reported value in the General Fund.

## **Q. Long-Term Obligations**

**Premiums, Discounts and Issuance Costs** – In the government-wide financial statements, long-term debt and other long-term obligations are presented in the columns for governmental and business-type activities. The same is presented in the Proprietary Fund Financial Statements. Bond and note premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt. Bonds and notes payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges in other assets and are amortized over the term of the related debt.

In the governmental fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

**Arbitrage Rebate Liability** – The enterprise funds and component units account for any arbitrage rebate payable as a liability of the fund.

## **R. Governmental Activities**

Per a review of State agencies, it was determined that the activities of the Oklahoma Health Care Authority, Department of Veteran Affairs, and the J.D. McCarty Center were more accurately reflected in the Health Services function of government instead of Social Services. Beginning with the fiscal year ended June 30, 2005, these agencies are reported as a function of Health Services. This will affect the comparability of activities with years prior to 2005.

## **S. Governmental Fund – Fund Balance**

The governmental fund financial statements present fund balance at the aggregate level of detail within the categories defined by GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Refer to Note 12 for further discussion.

## **T. Deficit Fund Balance – Multiple Injury Trust Fund/Oklahoma Capital Investment Board**

The Multiple Injury Trust Fund (MITF), a component unit, continues to operate in a deficit situation. MITF had total net liabilities (negative net position) of \$302,937,000 at December 31, 2012. Legislation was passed in May 2000 providing new funding for MITF through an assessment on gross premiums on workers compensation policies written by insurance carriers and an assessment on disability awards paid by self-insured employers, and further limits future awards against MITF to claimants that timely filed injury claims that occurred before June 1, 2000, against their employer. These claimants have no time limitation for filing against MITF. No new claims related to injuries subsequent to June 1, 2000, can be filed. Funding is to continue until the Board of Managers of the CompSource Oklahoma, pursuant to an independent actuarial audit, has certified that there are sufficient funds to satisfy all outstanding obligations of MITF.

The Oklahoma Capital Investment Board (OCIB), a component unit, operated at a deficit for the fiscal year. In fiscal year 2006 the OCIB purchased 100% of the ownership of the Oklahoma Capital Formation Company LLC (OCFC), a formerly blended entity. This purchase brought on the long-term liabilities of the OCFC, and as a result, puts the OCIB in a negative net position. For the fiscal year ended June 30, 2013, the OCIB had negative net position of \$3,083,000. The OCIB takes a long-term approach to economic stimulation, and it is anticipated that a negative net position balance could persist well into the future.

## **U. Pollution Remediation Obligations**

During the fiscal year ended June 30, 2013, it was determined that several agencies incurred expenses of \$646,000 for pollution obligations related to hazardous material on highways and asbestos removal, where clean-up is generally required to comply with federal regulations. This type of remediation is generally a control obligation performed as part of current operations during road construction or building renovation. There was also a liability incurred of \$3,144,000 which is included in accounts payable on the government-wide financial statements.

## **Note 2. Deposits and Investments**

The State Treasurer maintains two investment portfolios. The Treasurer's Portfolio is used to manage the investments of all State moneys that are under the control of the Treasurer where earnings accrue to the General Fund of the State. The State Agency Portfolio is used for the investment of a limited number of State agencies specifically authorized by statute to direct the activities of certain funds and accounts where the earnings accrue to those funds and accounts. Ancillary to the Treasurer's Portfolio is an internal investment pool, OK INVEST, for all State funds and agencies that are considered part of the State of Oklahoma. All cash balances held through the State Treasurer for the Primary Government, Component Units and Fiduciary Funds earn a return through the OK INVEST pool program.

In accordance with statutes, the State Treasurer's investment policy allows for investments in the following categories:

United States Treasury Bills, Notes and Bonds	Collateralized or insured certificates of deposit
United States Government Agency Securities	Negotiable certificates of deposit
Prime Banker's acceptances	Prime commercial paper
Investment grade obligations of state and local governments	Repurchase agreements
Short-term bond funds	Money market funds
Foreign bonds	

The State Treasurer's investment policy attempts to reduce portfolio risk through diversification by security, institution and maturity. With the exception of U.S. Treasury securities, no more than 50% of the State's total funds available for investment will be invested in a single security or with a single financial institution. In addition, the Treasurer's investments will not have an average maturity greater than 4 years unless specifically otherwise designated by the Treasurer. The following table outlines the State Treasurer's diversification limits designed to control various types of risk:

Investment Type	Percentage of Total Invested	Percentage of Total by Issuer	Maturity Limit	Rating
U.S Government Agency Securities	50%	35%	10 Years	AAA
U.S. Government Agency Mortgage Backed Securities	45%	No Limit	7 Years	AAA
Collateralized or Insured Certificates of Deposit	Limit of \$35 Million per financial institution		365 Days	N/A
Negotiable Certificates of Deposit	7.5%	2.5%	180 Days	A-1 & P-1
Bankers Acceptance	7.5%	2.5%	270 Days	A-1 & P-1
Commercial Paper	7.5%	2.5%	180 Days	A-1 & P-1
State and Local Government Obligations	10%	5.0%	30 Years	AAA
Repurchase and Tri-party Repurchase Agreements	30%	10%	14 Days	A-1
Money Market Mutual Funds	30%	10%	1 Day	AAA
Foreign Bonds	2.5%	2.5%	5 Years	A-/A3 or better

The Primary Government's three permanent funds, Commissioners of the Land Office, Department of Wildlife Lifetime Licenses, and the Tobacco Settlement Endowment all have investment goals and horizons that differ from the State Treasurer. Accordingly, the investment policies for the permanent funds allow for broader classes of investments as well as extended dates of maturity.

The Employment Security Commission, Water Resources Board, Office of Management and Enterprise Services-Employees Group Insurance Division and Lottery Commission are the four business-type activities within the Primary Government. These agencies generally have investment policies that correlate to the operations and services that they perform. The Employment Security Commission generally will not invest outside of U.S. Government securities and typically maintains deposit balances only. The Water Resources Board, Office of Management and Enterprise Services and Lottery Commission all operate with longer investment horizons and as part of normal operations will attempt to match maturities of investments with the approaching maturity of liabilities.

Due to the nature of the internal investment pool, ownership of investments cannot be assigned to individual funds, including the Pension Trust Funds and Component Units. The investment pool also holds securities purchased with cash collateral from securities lending, which are not assigned to individual funds. For these reasons, total investments will not tie to the financial statements for the Primary Government. The following table details the investments held by the Primary Government at June 30, 2013 (expressed in thousands):

Investment Type	Investments - Primary Government			Total Primary Government
	General Government	Permanent Funds	Business-Type Activities	
<b>POOLED INVESTMENTS</b>				
US Agency & Treasury	\$ 5,304,581	\$ -	\$ -	\$ 5,304,581
Money Market Mutual Funds	593,997	-	-	593,997
Securities Lending Collateral Pool	211,015	106,600	-	317,615
Mutual Funds	3,138	-	-	3,138
Certificates of Deposit & Commercial Paper	294,753	-	-	294,753
State & Muni Bond Issues	186,045	-	-	186,045
<b>NON-POOLED INVESTMENTS</b>				
US Agency & Treasury	14,658	569,274	122,248	706,180
Domestic Corporate Bonds	-	784,065	154,189	938,254
Foreign Corporate Bonds	49,970	98,299	-	148,269
Domestic Equities	39,851	1,161,381	125,135	1,326,367
Foreign Equities	-	130,266	-	130,266
Other	-	49,758	1,490	51,248
Money Market Mutual Funds	195	-	-	195
Guaranteed Investment Contracts	-	-	95,049	95,049
<b>Totals</b>	<b>\$ 6,698,203</b>	<b>\$ 2,899,643</b>	<b>\$ 498,111</b>	<b>\$ 10,095,957</b>

### Fiduciary Funds and Similar Component Units

The Fiduciary Funds of the State have investment goals that vary significantly from the Primary Government. Due to the long term nature of these funds, investment options are broader and maturities can be longer than that of the Primary Government. These funds generally have investment policies allowing for investments in stocks, bonds, fixed income securities and other investment securities including commingled, mutual and index funds. Generally policies allow for a portion of investments to be held in securities of foreign companies and countries. Policies also allow for portions of the total portfolio to be held in derivatives and derivative like investments such as U.S. Treasury Strips, collateralized mortgage obligations, convertible securities and variable rate instruments.

### Component Units

The Component Units of the State have varied investment goals based on the demands of their specific enterprise, and commonly have investment policies that allow for broader asset classes and longer maturities than that of the Primary Government. Various finance authorities invest in an attempt to match targeted returns to the maturity of liabilities. The Higher Education Component Unit is comprised of numerous foundations that invest in order to maximize gains for the institutions that they support. These foundations may also hold assets of different classes as part of donor restrictions and covenants. The following table outlines the Component Units' investment holdings at June 30, 2013 (expressed in thousands):

Investments - Component Units		Total
Investment Type	Component Units	
US Agency & Treasury	\$ 1,286,730	
Domestic Debt Instruments	1,087,363	
Foreign Corporate Bonds	73,934	
State, Muni and Local Gov't Debt Instruments	29,915	
Domestic Equities and Equity Funds	1,277,455	
Foreign Equities	193,622	
Other	1,594,289	
Money Market Mutual Funds	254,452	
Guaranteed Investment Contracts	3,309	
		<hr/>
		\$ 5,801,069

#### A. Custodial Credit Risk

Custodial Credit Risk is the risk that in the event of the failure of the counterparty, the State will not be able to recover the value of its investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, not registered in the name of the State, or held by the counterparty or its trust department but not in the State's name.

#### Primary Government

The State Treasurer requires that financial institutions deposit collateral securities to secure the deposits of the State in each such institution. The amount of collateral securities to be pledged for the security of public deposits is established by rules promulgated by the State Treasurer. In accordance with the Office of State Treasurer's policies, the collateral securities to be pledged by financial institutions through the State Treasurer's Office are pledged at market value and must be at 110% of value to collateralize the amount on deposit, less any federal insurance coverage. All investments held by the State Treasurer are insured, registered, or held in the name of the State Treasurer.

As of June 30, 2013, the Primary Government's bank balances of deposits are fully insured or collateralized with securities held by an agent of the State in the State's name. In addition to these deposits, the State has approximately \$931,832,000 on deposit with the U.S. Government. These funds represent unemployment insurance taxes collected from Oklahoma employers that are held by the U.S. Treasury. The book value of deposits does not materially differ from the bank balance.

#### Fiduciary Funds and Similar Component Units

The Pension Trust Funds, fiduciary component units of the State, have investment policies that do not specifically address custodial credit risk of deposits and investments. However, each Pension Trust Fund utilizes multiple investment managers and limits cash and short-term investments to no more than 5% of each investment manager's portfolio. At June 30, 2013, the Pension Trust Funds had deposits and cash equivalents of \$1,209,031,000 of which \$814,206,000 were uninsured and uncollateralized.

#### Component Units

Generally, the Component Units of the State have investment policies that do not specifically address or limit custodial credit risk of deposits and investments. All Component Units typically follow the diversification and securitization of deposit policies defined by the State Treasurer in an effort to minimize custodial credit risk. At June 30, 2013, CompSource had no investments subject to custodial risk as the securities lending program was terminated during 2012.

## B. Credit Risk

Fixed-income securities are subject to credit risk. Credit quality rating is one method of assessing the debt instrument issuer's ability to meet its obligation. The State, its Fiduciary Funds and Component Units utilize the credit quality ratings issued by Moody's, Standard and Poor's, or Fitch in determining the risk associated with its fixed-income investments. Obligations of the U.S. Government or those explicitly guaranteed by the U.S. Government are not considered to have credit risk. Certain debt instruments are commingled investments that do not have an applicable credit risk rating. These investments are presented as not rated in the accompanying tables.

### Primary Government

As outlined in an earlier table, the State Treasurer seeks to hold investments with a rating of A or higher as rated by Moody's. Generally, the Permanent Funds and the business-type activities seek to maintain the same or higher rating. The Water Resources Board, which has a high concentration of investments with one issuer, requires that issuer to maintain an average credit rating of AA or higher. Should this issuer's rating fall below AA, it is required to collateralize the guaranteed investments sufficient to maintain an AA rating on the contracts. At June 30, 2013, the Primary Government had the following investments subject to credit risk (expressed in thousands):

**Credit Risk - Primary Government**

Investment Rating Moody's/S&P/Fitch	US Treasury, Agency and Municipal Securities	International Government Securities	US Corporate Debt Instruments	International Debt Instruments	Total
Aaa/AAA/AAA	\$ 665,405	\$ 12,181	\$ 658,712	\$ -	\$ 1,336,298
Aa/AA/AA	5,379,526	3,092	27,681	-	5,410,299
A/A/A	42,270	11,607	96,433	3,022	153,332
Baa/BBB/BBB	-	26,767	206,595	2,735	236,097
Ba/BB/BB	-	13,315	143,520	3,558	160,393
B/B/B	-	2,978	184,778	6,288	194,044
Caa/CCC/CCC	-	-	35,547	950	36,497
Ca/CC/CC	-	-	368	288	656
C/C/C	-	-	152	-	152
Not Rated/Not Applicable	109,605	10,335	273,709	51,153	444,802
<b>Total</b>	<b>\$ 6,196,806</b>	<b>\$ 80,275</b>	<b>\$ 1,627,495</b>	<b>\$ 67,994</b>	<b>\$ 7,972,570</b>

### Fiduciary Funds and Similar Component Units

The Pension Trust Funds typically hold a significant portion of assets in the form of debt instruments. Each Pension Trust Fund has an investment policy governing their credit risk exposure. Generally, at the time of purchase, investments in domestic fixed-income investments must carry the highest rating either Aaa, (Moody's) or AAA, (S&P, Fitch) as determined by the national rating organizations. International debt instruments must be Baa or BBB at the time of purchase. Overall, each investment policy generally requires that an average credit quality rating of A or higher be maintained for total debt instrument holdings. At June 30, 2013, the Pension Trust Funds had the following credit risk exposure (expressed in thousands):

**Credit Risk - Pension Trust Funds**

Investment Rating Moody's/S&P/Fitch	US Treasury, Agency and Municipal Securities	International Government Securities	US Corporate Debt Instruments	International Debt Instruments	Total
Aaa/AAA/AAA	\$ 1,267,170	\$ 17,572	\$ 415,199	\$ -	\$ 1,699,941
Aa/AA/AA	1,148,882	16,924	208,358	2,938	1,377,102
A/A/A	20,301	36,740	456,548	1,759	515,348
Baa/BBB/BBB	1,043	71,348	712,350	5,102	789,843
Ba/BB/BB	-	20,582	397,810	1,312	419,704
B/B/B	-	2,029	314,580	5,082	321,691
Caa/CCC/CCC	-	-	78,234	2,425	80,659
Ca/CC/CC	-	-	2,847	-	2,847
D/D/D	-	-	7,480	-	7,480
Not Rated/Not Applicable	617,719	44,459	357,983	104,311	1,124,472
<b>Total</b>	<b>\$ 3,055,115</b>	<b>\$ 209,654</b>	<b>\$ 2,951,389</b>	<b>\$ 122,929</b>	<b>\$ 6,339,087</b>

**Component Units**

The Component Units usually hold a significant portion of their respective portfolios in debt instruments. Each Component Unit has an investment policy governing credit risk. As a general rule, the Component Units have more liberal investment policies than the Primary Government that allow for greater levels of credit risk regarding debt securities. Foundations within the Higher Education Component Unit also hold a significant portion of their total debt portfolio as either bond funds or money market mutual funds. These debt instruments are generally pooled or commingled investments and are not subject to credit risk disclosures. Investments in U.S. Government securities are not subject to credit risk. At June 30, 2013 the Component Units had the following credit risk exposure (expressed in thousands):

**Credit Risk - Component Units**

Investment Rating Moody's/S&P/Fitch	US Treasury, Agency and Municipal Securities	International Government Securities	US Corporate Debt Instruments	International Debt Instruments	Total
Aaa/AAA/AAA	\$ 1,054,527	\$ -	\$ 298,813	\$ -	\$ 1,353,340
Aa/AA/AA	16,848	-	94,464	23,854	135,166
A/A/A	-	-	387,103	-	387,103
Baa/BBB/BBB	-	-	330,316	-	330,316
Ba/BB/BB	-	-	-	-	-
B/B/B	-	-	-	-	-
C/C/C	-	-	-	-	-
Not Rated/Not Applicable	245,270	-	234,428	50,080	529,778
<b>Total</b>	<b>\$ 1,316,645</b>	<b>\$ -</b>	<b>\$ 1,345,124</b>	<b>\$ 73,934</b>	<b>\$ 2,735,703</b>

**C. Concentration of Credit Risk**

**Primary Government**

The State Treasurer's investment policy seeks to mitigate concentration of credit risk through targeted diversification limits as outlined earlier in this note. With the exception of US Treasury securities, no more than 50% of the State's total funds available for investment will be invested in a single security type or with a single financial institution. The Water Resources Board, a business-type activity of the Primary Government, has no policy limiting amounts that may be invested in one issuer. At June 30, 2013, the Board held Guaranteed Investment Contracts issued by Transamerica Occidental Life Insurance Co. / Transamerica Life Insurance and Annuity Co. in the amount of \$38,261,000 or 14% of its portfolio.

## D. Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment or deposit. Duration is a measure of a debt instrument's exposure to fair value changes arising from changes in interest rates based on the present value of future cash flows, weighted for those cash flows as a percentage of the investment's full price. Modified duration estimates the sensitivity of a bond's price to interest rate changes. The State, its Fiduciary Funds, and Component Units use either duration, modified duration or weighted average years outstanding as the standard measures for assessing interest rate risk. Generally, the longer the duration or years outstanding, the greater sensitivity an investment has to interest rate risk.

### Primary Government

As outlined in a previous table, the State Treasurer follows an investment policy seeking to keep the average maturity for its entire portfolio to less than four years. The Permanent Funds and the business-type activities of the Primary Government do not have the same liquidity demands as the Treasurer, and as a matter of policy are not as restrictive regarding maturities. At June 30, 2013, the Primary Government had the following investments with maturities (expressed in thousands):

Interest Rate Risk - Primary Government						
Weighted Average Years to Maturity	US Treasury, Agency and Municipal Securities	International Government Instruments	US Corporate Debt Instruments	International Debt Instruments	Total	
Less than 1 year Weighted Average to Maturity	\$ 2,564,185	\$ -	\$ 596,492	\$ -	\$ 3,160,677	
1 - 5 years	3,286,689	-	885,348	67,994	4,240,031	
6 - 10 years	187,994	80,275	50,411	-	318,680	
10 or more years	157,938	-	-	-	157,938	
No Maturity or Not Applicable	-	-	95,244	-	95,244	
Total	\$ 6,196,806	\$ 80,275	\$ 1,627,495	\$ 67,994	\$ 7,972,570	

### Fiduciary Funds and Similar Component Units

The Pension Trust Funds generally do not have a formal investment policy on interest rate risk. However, interest rate risk is generally controlled through diversification of portfolio management styles. Each Pension Trust Fund reviews the performance of each investment manager, and monitors the interest rate risk as part of the performance assessment. At June 30, 2013, the Pension Trust Funds had the following exposure to interest rate risk (expressed in thousands):

Interest Rate Risk - Pension Trust Funds						
Duration or Weighted Average Years	US Treasury, Agency and Municipal Securities	International Government Securities	US Corporate Debt Instruments	International Debt Instruments	Total	
Less than 1 year duration	\$ 99,727	\$ 60,561	\$ 153,662	\$ 3,716	\$ 317,666	
1 - 5 years	1,010,412	29,348	1,376,935	5,566	2,422,261	
6 - 10 years	1,027,746	54,664	830,374	5,999	1,918,783	
10 or more years	740,419	65,081	376,045	3,337	1,184,882	
No Duration	176,811	-	214,373	104,311	495,495	
Total	\$ 3,055,115	\$ 209,654	\$ 2,951,389	\$ 122,929	\$ 6,339,087	

### Component Units

The State's Component Units typically have board approved investment policies designed to manage exposure to fair value losses that arise from interest rate risk. The policies of the various Component Units can differ significantly since each investment policy is designed to match the portfolio objectives for that Component Unit. A substantial portion of the Component Units' holdings in debt instruments is in money market mutual funds and bond mutual funds with demand

maturities which are presented below as not having an applicable maturity. On June 30, 2013, the Component Units had the following interest rate risk exposure (expressed in thousands):

Interest Rate Risk - Component Units						
Weighted Average Years to Maturity	US Treasury, Agency and Municipal Securities	International Government Securities	US Corporate Debt Instruments	International Debt Instruments	Total	
Less than 1 year Weighted Average to Maturity	\$ 328,243	\$ -	\$ 17,929	\$ -	\$ 346,172	
1 - 5 years	600,399	-	909,157	-	1,509,556	
6 - 10 years	138,674	-	90,371	23,854	252,899	
10 or more years	98,740	-	-	-	98,740	
No Maturity or Not Applicable	150,589	-	327,667	50,080	528,336	
Total	\$ 1,316,645	\$ -	\$ 1,345,124	\$ 73,934	\$ 2,735,703	

## E. Foreign Currency Risk

Foreign Currency Risk is the risk that changes in currency exchange rates will adversely affect the fair value of a deposit or investment. The State, its Fiduciary Funds and Component Units typically make investments in foreign securities to achieve an additional level of diversification within the various portfolios under management. Foreign currencies held as cash and cash equivalents are usually held to limit losses in foreign investments due to fluctuations in currency values.

### Primary Government

The General Government is not invested in securities that are exposed to foreign currency risk; however, the Permanent Funds have policies that will typically allow a portion of the total portfolio to be invested in international securities in an effort to improve diversification and total returns. The business-type activity's investing policies do not specifically address foreign investments, and they will typically not hold any international securities. At June 30, 2013, the Primary Government had the following foreign currency risk (expressed in thousands):

**Foreign Currency Risk - Primary Government**

Currency	Equities	Debt Instruments	Cash and Equivalents	Total
Argentine peso	\$ 2,848	\$ -	\$ -	\$ 2,848
Brazilian real	-	1,520	-	1,520
British pound sterling	25,763	5,103	62	30,928
Bermuda dollar	5,760	805	-	6,565
Canadian dollar	8,107	2,343	-	10,450
Cayman dollar	46	304	-	350
Euro	35,597	21,638	671	57,906
Hong Kong dollar	4,595	-	-	4,595
Indonesian rupiah	2,071	-	-	2,071
Israeli shekel	2,394	-	-	2,394
Japanese yen	16,801	-	-	16,801
Jersey pound	3,740	-	-	3,740
Malaysian ringgit	-	-	17	17
Mexican peso	1,702	2,579	86	4,367
Netherlands Antillean guilder	1,146	-	-	1,146
Norwegian krone	3,888	-	-	3,888
Russian ruble	1,739	-	-	1,739
Singapore dollar	102	-	-	102
South African rand	-	1,211	106	1,317
South Korean won	3,651	-	-	3,651
Swedish krona	993	-	-	993
Swiss franc	6,940	-	-	6,940
Thai baht	2,383	-	-	2,383
Turkish lira	-	1,611	-	1,611
<b>Totals</b>	<b>\$ 130,266</b>	<b>\$ 37,114</b>	<b>\$ 942</b>	<b>\$ 168,322</b>

**Fiduciary Funds and Similar Component Units**

The Pension and Other Employee Benefit Trust Funds generally have investment policies regarding limits on the amount of foreign securities that can be held within their respective portfolios. The Trust Funds have a significantly longer time frame for achieving their investment goals, and investments in foreign securities offer an additional level of diversification, as well as provide the opportunity for increased returns. Typically, holdings in foreign currencies are used to limit losses on foreign securities due to currency fluctuations. The Trust Funds had the following foreign currency risk at June 30, 2013 (expressed in thousands):

### Foreign Currency Risk - Pension Trust Funds

Currency	Equities	Debt Instruments	Cash and Equivalents	Total
Australian dollar	\$ 16,464	\$ 14,832	\$ 1,346	\$ 32,642
Brazilian real	23,634	2,634	29	26,297
British pound sterling	342,885	11,363	4,963	359,211
Canadian dollar	34,468	283	1,916	36,667
Chilean peso	484	-	-	484
Columbia peso	1,436	-	-	1,436
Danish krone	19,723	-	-	19,723
Euro	466,875	65,858	7,621	540,354
Hong Kong dollar	117,738	13	2,680	120,431
Hungarian forint	-	6,519	-	6,519
Indian rupee	-	(471)	-	(471)
Indonesian rupiah	12,397	-	1	12,398
Japanese yen	322,123	3,893	3,582	329,598
Malaysian ringgit	3,812	6,763	434	11,009
Mexican peso	17,534	54,591	-	72,125
New Taiwan dollar	10,059	(32)	-	10,027
New Turkish lira	5,723	-	28	5,751
New Zealand dollar	2,138	5,287	-	7,425
Norwegian krone	6,838	4	-	6,842
Philippines peso	4,602	700	-	5,302
Polish zloty	1,580	6,820	-	8,400
Russian ruble	-	(233)	-	(233)
Singapore dollar	33,068	(195)	384	33,257
South African rand	17,362	4,673	567	22,602
South Korean won	33,625	6,874	1,591	42,090
Swedish krona	20,148	(147)	1,200	21,201
Swiss franc	141,874	1,371	7	143,252
Thai baht	9,310	-	-	9,310
Turkish lira	7,530	4,369	-	11,899
<b>Totals</b>	<b>\$ 1,673,430</b>	<b>\$ 195,769</b>	<b>\$ 26,349</b>	<b>\$ 1,895,548</b>

#### Securities Lending Definition

In a securities lending transaction, securities are loaned to approved brokers through a securities lending agreement with a simultaneous agreement to return collateral for the same security in the future.

#### Securities Lending Activity – Primary Government

State Statute Title 62, Section 90 authorizes the State Treasurer's Office to participate in securities lending transactions. All securities held by J.P. Morgan, as trustee or custodian, may be lent in the securities lending program unless specifically excluded by the State Treasurer's Office.

During the fiscal year ended June 30, 2013, securities lending agents lent primarily U.S. Government securities. Cash and U.S. Government securities were provided as collateral for the securities lent. Generally, collateral must equal at least 100% of the fair value of the securities loaned. At June 30, 2013, the fair value of the securities on loan was

approximately \$205,000,000. The underlying collateral for these securities had a fair value of approximately \$211,000,000. The remaining collateral represents cash collateral that is invested in U.S. Government securities and is included as an asset on the balance sheet with an offsetting liability for the return of collateral.

At June 30, 2013, there was no credit risk exposure to borrowers because the amounts the Primary Government owes the borrowers exceed the amounts the borrowers owe the Primary Government. Contracts with securities lending agents require them to indemnify the lender if the borrower fails to return the securities or otherwise fails to pay the lender for income while the securities are on loan. There were no losses on security lending transactions, or recoveries from prior period losses, that resulted from the default of a borrower or the lending agent. Because these transactions are terminable at will, their duration generally did not match the duration of the investments made with cash collateral.

The Tobacco Trust Fund, a Permanent Fund of the State, participates in securities lending as defined by its investment policy. During the year, the Tobacco Trust lent U.S. Government securities, corporate debt, and domestic and foreign equities. Collateral was provided as cash for securities lent. Collateral must equal at least 102% of the market value of securities lent unless the principal market for the collateral is outside the United States, in which case a margin of 105% must be maintained. At June 30, 2013, the fair value of securities on loan was \$104,263,000. The collateral for securities lent had a market value of \$106,600,000. The investment made with cash collateral had an average maturity of one day and did not match the duration of the security on loan since the loans are terminable at will. There was no credit risk to borrowers.

#### **Securities Lending Activity – Fiduciary Funds and Similar Component Units**

The six Public Employees Retirement Systems (PERS) participate in securities lending transactions as provided by their respective investment policies. During the fiscal year ended June 30, 2013, securities lending agents lent primarily U.S. Government securities, equity securities, and debt securities. Cash, U.S. Government securities, and letters of credit were provided as collateral for the securities lent. Generally, collateral must be provided in the amount of 102% of the fair value of the securities loaned. In certain instances collateral must be provided in the amount of 105% when the principal trading market for the loaned securities is outside the United States. At June 30, 2013, the carrying amount and fair value of securities on loan was approximately \$3,218,278,000. The underlying collateral for these securities had a fair value of approximately \$3,566,901,000. Collateral of securities and letters of credit represented approximately \$268,004,000 of total collateral. Because these securities and letters of credit cannot be sold or pledged unless the borrower defaults, the collateral and related liability are not presented on the balance sheet. The remaining collateral represents cash collateral that is invested in short-term investment pools and is included as an asset on the balance sheet with an offsetting liability for the return of the collateral.

At June 30, 2013, there was no credit risk exposure to borrowers because the amounts the Fiduciary Funds owe the borrowers exceed the amounts the borrowers owe the Fiduciary Funds. Contracts with securities lending agents require them to indemnify the lender if the borrower fails to return the securities or otherwise fails to pay the lender for income while the securities are on loan. There were no losses on security lending transactions, or recoveries from prior period losses, resulting from the default of a borrower or the lending agent. Investment policies do not require the maturities of investments made with cash collateral to match the maturities of securities lent; however, investment policies may establish minimum levels of liquidity to minimize the interest rate risk associated with not matching the maturity of the investments with the loans. Generally, their duration did not match the duration of the investments made with cash collateral.

#### **Securities Lending Activity – Component Units**

CompSource fully terminated all security lending activity on June 30, 2012. CompSource's proportionate share of the liquidating trust was \$3,878,000 and represented debt securities. Upon termination of the securities lending program, CompSource paid the portion of the securities payable represented by the liquidating trust and recognized an additional realized loss of \$57,000 in connection with the recall of securities on loan and return of cash collateral. Also during 2012, CompSource recognized income of \$1,086,000 related to the settlement of class action claims in connection with the securities lending program.

## **Derivative Investments Definition**

Derivatives are often complex financial arrangements used to manage specific risks or to act as investments. Derivatives can act as hedges to more effectively manage cash flow or act as investments thereby increasing or decreasing exposure to certain types of investments.

## **Derivative Investments –Primary Government**

Certain State agencies utilize derivative investments as tools to efficiently and effectively manage domestic, international and fixed income investments within their respective portfolios. The notional amount, financial statement classification and fair value balance of derivatives outstanding at June 30, 2013 and the change in fair value of such derivatives for the year then ended are as follows (expressed in thousands):

Permanent Fund	Derivative Instrument	Notional Amount	Fair Value		Change in Fair Value	
			Classification	Amount	Classification	Amount
Tobacco Settlement Trust	Foreign Currency Forward Contracts	\$ 23,316	Net Receivable	\$ 28	Investment Income	\$ (388)

## **Derivative Investments – Fiduciary Funds and Similar Component Units**

Several of the State's Public Employees Retirement Systems (PERS) utilize derivative investments as tools to efficiently and effectively manage domestic, international and fixed income investments within their respective portfolios. The notional amount, financial statement classification and fair value balance of derivatives outstanding at June 30, 2013 and the change in fair value of such derivatives for the year then ended are as follows (expressed in thousands):

Pension System	Derivative Instrument	Notional Amount	Fair Value		Change in Fair Value	
			Classification	Amount	Classification	Amount
Firefighters Pension and Retirement System (OFPRS)	Foreign Currency Forward Contracts	\$ 115,095	Net Payable	\$ 1,791	Investment Income	\$ 1,222
Teachers' Retirement System (TRS)	Foreign Currency Forward Contracts	690,674	Investment	(133)	Investment Income	(1,466)

The OFPRS system uses foreign currency forward contracts primarily to hedge foreign currency exposure. The receivable is net of gross receivables of \$3,047,000 and liabilities of \$1,256,000. The gross receivables are supported by collateral in investments valued at \$3,047,000 with a credit risk ratings of AA-, A+, A, and A- by S&P and Aa2, Aa3, A1, A2, A3 and Baa1 by Moody's. The foreign currency forward contracts for the TRS subject the System to foreign currency risk because the investments are denominated in foreign currencies. The fair value of foreign currency forward contracts was determined by market rates for exchanging dollars against the contracted currencies.

## **Derivative Investments- Component Units**

The Component Units of the State have varied investment goals based on the demands of their specific operations and commonly have investment policies allowing for greater investment diversity and risk. Certain component units and foundations with the Higher Education Component Unit will utilize derivative investments on occasion to secure specific returns matched to maturing liabilities to mitigate overall portfolio risk.

## Note 3. Accounts Receivable

Receivable balances have been disaggregated by type and presented separately in the financial statements. Only receivables with allowances for uncollectible accounts as of June 30, 2013, including the applicable allowances for uncollectible accounts, are presented below (expressed in thousands):

	General Fund		Proprietary Fund		Component Units	
	Accounts Receivable		Taxes Receivable		Accounts Receivable	Notes Receivable
Gross Receivables	\$ 127,591		\$ 215,047		\$ 545,372	\$ 764,025
Less: Allowance for Uncollectibles	(78,602)		(60,247)		(149,300)	(2,757)
Net Receivables	<b>\$ 48,989</b>		<b>\$ 154,800</b>		<b>\$ 396,072</b>	<b>\$ 761,268</b>

## Note 4. Interfund Accounts and Transfers

### A. Due from Other Funds/Due to Other Funds

A summary of interfund obligations at June 30, 2013, is shown below (expressed in thousands):

	Due From Other Funds					Due To Other Funds				
	General Fund	Permanent Funds	Enterprise Funds	Due From Fiduciary Funds	Due From Component Units	General Fund	Wildlife Permanent Fund	Enterprise Funds	Due To Fiduciary Funds	Due To Component Units
<b>Governmental Funds</b>										
General Fund	\$ -	\$ 33	\$ 19,456	\$ 33	\$ 53,775	\$ -	\$ 94	\$ 513	\$ 38,773	\$ 24,765
Wildlife Permanent Fund	\$ 94	-	-	-	-	-	-	-	-	-
Tobacco Permanent Fund	-	-	-	-	-	33	-	-	-	1,023
Total Governmental Funds	<b>\$ 94</b>	<b>\$ 33</b>	<b>\$ 19,456</b>	<b>\$ 33</b>	<b>\$ 53,775</b>	<b>\$ 33</b>	<b>\$ 94</b>	<b>\$ 513</b>	<b>\$ 38,773</b>	<b>\$ 25,788</b>
<b>Enterprise Funds</b>										
Office of Management and Enterprises Services	\$ 2,431	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13
Oklahoma Water Resources Board	-	-	-	-	-	557	-	-	-	-
Oklahoma Lottery Commission	-	-	-	-	-	18,899	-	-	-	1
Total Enterprise Funds	<b>\$ 2,431</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 19,456</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14</b>
<b>Fiduciary Funds</b>										
Pension Trust Funds:										
Firefighters Pension and Retirement System	\$ 16,068	\$ -	\$ -	\$ -	\$ -	\$ 9	\$ -	\$ -	\$ -	\$ -
Oklahoma Public Employees Retirement System	13,140	-	-	-	-	4	-	-	-	-
Oklahoma Law Enforcement Retirement System	3,039	-	-	-	-	-	-	-	-	-
Judges and Justices Retirement System	535	-	-	-	-	-	-	-	-	-
Oklahoma Police Pension and Retirement System	6,616	-	-	-	-	2	-	-	-	-
Teachers' Retirement System of Oklahoma	-	-	-	-	-	18	-	-	-	-
Agency Funds:										
Other	-	-	-	-	-	683	-	-	-	-
Total Fiduciary Funds	<b>\$ 39,398</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 33</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
	Due From Primary Government			Due From Other		Due To Primary Government			Due To Other	
	General Fund	Permanent Funds	Enterprise Funds	Fiduciary Funds	Component Units	General Fund	Permanent Funds	Enterprise Funds	Fiduciary Funds	Component Units
<b>Major Component Units:</b>										
CompSource Oklahoma	\$ 1,043	\$ -	\$ 1	\$ -	\$ 165	\$ 111	\$ -	\$ -	\$ -	\$ -
Oklahoma Housing Finance Agency	-	-	-	-	-	4	-	-	64	-
Oklahoma Municipal Power Authority	-	-	-	-	-	-	-	-	-	1,474
Oklahoma Turnpike Authority	3,339	-	-	-	-	52,443	-	-	-	39
Grand River Dam Authority	1,231	-	-	-	1,476	256	-	-	1,244	102
Higher Education	12,664	1,023	-	-	132	873	-	-	-	641
<b>Nonmajor Component Units:</b>						-	-	-	-	-
Multiple Injury Trust Fund	8,259	-	-	-	-	-	-	-	-	-
Oklahoma Educational Television Authority	-	-	-	-	-	6	-	-	-	-
University Hospitals Authority	79	-	-	-	411	-	-	-	-	119
Oklahoma Development Finance Authority	36	-	-	-	204	-	-	-	-	-
Total Component Units	<b>\$ 26,651</b>	<b>\$ 1,023</b>	<b>\$ 1</b>	<b>\$ -</b>	<b>\$ 2,388</b>	<b>\$ 53,693</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,308</b>	<b>\$ 2,375</b>

A reconciliation of interfund receivables and interfund payables at June 30, 2013 follows. Timing differences occur between agencies with a June 30 year end and the component units with September 30 or December 31 year ends.

<b>Total Due From Other Funds:</b>		<b>Total Due To Other Funds:</b>	
Wildlife Permanent Fund	\$ 94	General Fund to Enterprise Funds	\$ 19,456
Fiduciary Funds	39,398	General Fund to Fiduciary Funds	33
Permanent Funds	33	Enterprise Funds	513
Enterprise Funds	19,456	Wildlife Permanent Fund	94
Due From Fiduciary Funds (Governmental Funds)	33	Tobacco Permanent Fund	33
Due From Enterprise Funds:		Fiduciary Funds	38,773
General Fund	2,431	Due To Component Units:	
Due From Component Units:		General Fund	24,765
General Fund	53,775	Tobacco Permanent Fund	1,023
Fiduciary Funds	683	Fiduciary Funds	-
Component Units Due From Primary Government:		Due to Enterprise Fund	14
General Fund	26,651	Due To Primary Government (General Fund)	53,693
Permanent Fund	1,023	Due To Fiduciary Funds	1,308
Enterprise Funds	1	Due To Other Component Units	2,375
Due From Fiduciary Funds (Component Units)	-	Total Interfund Payables per Financial Statements	142,080
Due From Other Component Units	2,388	Timing Differences, Fiscal Year Ending	
	<u>\$ 145,966</u>	December 31, 2012: Component Units	3,886
<b>Total Interfund Receivables per Financial Statements</b>	<u><u>\$ 145,966</u></u>	<b>Total Interfund Payables</b>	<u><u>\$ 145,966</u></u>

The General Fund Due From Other Funds includes \$52,515,000 from Oklahoma Turnpike Authority (OTA) (\$52,433,000 at December 31, 2012 on OTA) for a portion of motor fuel excise taxes collected on fuels consumed on turnpikes. The balance accumulates and is payable when certain OTA revenue bonds payable have been paid in full. The Wildlife Lifetime Licenses Permanent Fund is due \$94,000 from the General Fund for legislative mandated transfer of earnings on certain funds.

Remaining interfund balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded, and payment between funds are made.

#### **B. Notes Payable and Capital Leases**

The Multiple Injury Trust Fund (MITF) component unit reports a note payable to CompSource Oklahoma component unit of \$20,165,000, as permitted by statute. Included in this note payable is a \$6,000,000 advance on a line of credit not to exceed \$11,300,000. The remaining \$5,300,000 has not been advanced. The note and line of credit bear interest at a 7% rate and are payable over 30 years in quarterly installments. The note and line of credit are collateralized by MITF revenues and any equity or other interests available to MITF.

The Higher Education (HE) component unit has entered into capital lease agreements with the General Fund's Oklahoma Capital Improvement Authority (OCIA) to lease various facilities, equipment and improvements. The capital lease outstanding balances are \$585,634,000.

#### **C. Interfund Transfers**

A summary of interfund transfers for the fiscal year ended June 30, 2013, follows (expressed in thousands):

Transfers From (Out)	Transfers To (In)	For (Purpose)	Amount
<b>Governmental Funds:</b>			
General Fund	Oklahoma Water Resources Board	Payment for administrative costs	\$ 55
		Total transfers out of the General Fund	55
<b>Proprietary Funds:</b>			
Oklahoma Water Resources Board	General Fund	Restricted investment revenue	(166)
Lottery Commission	General Fund	Transfer of expendable earnings	(70,113)
		Total transfers in to the General Fund	(70,279)
		Net Transfers In/Out - General Fund	\$ (70,224)

## Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows (expressed in thousands):

### Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,604,987	\$ 29,331	\$ (3,104)	\$ 1,631,214
Construction in progress	170,751	36,521	(23,008)	184,264
Total capital assets, not being depreciated	<u>1,775,738</u>	<u>65,852</u>	<u>(26,112)</u>	<u>1,815,478</u>
Capital assets, being depreciated:				
Buildings and improvements	1,575,760	26,450	(14,166)	1,588,044
Equipment	468,671	52,796	(20,039)	501,428
Infrastructure	15,737,313	642,538	(950)	16,378,901
Total capital assets, being depreciated	<u>17,781,744</u>	<u>721,784</u>	<u>(35,155)</u>	<u>18,468,373</u>
Less accumulated depreciation for:				
Buildings and improvements	(640,366)	(26,795)	10,897	(656,264)
Equipment	(289,694)	(32,574)	15,502	(306,766)
Infrastructure	(8,138,391)	(423,106)	918	(8,560,579)
Total accumulated depreciation	<u>(9,068,451)</u>	<u>(482,475)</u>	<u>27,317</u>	<u>(9,523,609)</u>
Total capital assets, being depreciated, net	<u>8,713,293</u>	<u>239,309</u>	<u>(7,838)</u>	<u>8,944,764</u>
Governmental activities capital assets, net	<u>\$ 10,489,031</u>	<u>\$ 305,161</u>	<u>\$ (33,950)</u>	<u>\$ 10,760,242</u>
<b>Business-type activities:</b>				
Capital assets, being depreciated:				
Equipment	\$ 5,976	\$ 447	\$ 131	\$ 6,292
Total capital assets, being depreciated	<u>5,976</u>	<u>447</u>	<u>131</u>	<u>6,292</u>
Less accumulated depreciation for:				
Equipment	(5,112)	(249)	(106)	(5,255)
Total accumulated depreciation	<u>(5,112)</u>	<u>(249)</u>	<u>(106)</u>	<u>(5,255)</u>
Business-type activities capital assets, net	<u>\$ 864</u>	<u>\$ 198</u>	<u>\$ 25</u>	<u>\$ 1,037</u>

Current period depreciation expense was charged to functions of the Primary Government as follows (expressed in thousands):

Governmental activities:		
Education		\$ 1,244
General government		11,132
Health services		6,185
Legal and judiciary		176
Museums		153
Natural resources		8,496
Public safety and defense		12,679
Regulatory services		385
Social services		6,461
Transportation		<u>435,564</u>
Total depreciation expense - governmental activities		<u>\$ 482,475</u>
Business-type activities:		
General government		\$ 236
Natural resources		13
Total depreciation expense - business-type activities		<u>\$ 249</u>

## Component Units

Capital asset activity for the year ended June 30, 2013, (December 31, 2012, or September 30, 2012, for those entities identified in Item D of Note 1) was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 372,145	\$ 6,208	\$ (768)	\$ 377,585
Construction in progress	461,283	375,419	(390,660)	446,042
Total capital assets, not being depreciated	<u>833,428</u>	<u>381,627</u>	<u>(391,428)</u>	<u>823,627</u>
Capital assets, being depreciated:				
Buildings and improvements	7,536,040	511,805	(77,515)	7,970,330
Equipment	1,793,284	113,125	(159,738)	1,746,671
Infrastructure	2,258,478	47,588	(2,076)	2,303,990
Total capital assets, being depreciated	<u>11,587,802</u>	<u>672,518</u>	<u>(239,329)</u>	<u>12,020,991</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,716,881)	(221,989)	30,412	(2,908,458)
Equipment	(1,239,672)	(110,103)	154,490	(1,195,285)
Infrastructure	(1,307,314)	(81,211)	616	(1,387,909)
Total accumulated depreciation	<u>(5,263,867)</u>	<u>(413,303)</u>	<u>185,518</u>	<u>(5,491,652)</u>
Total capital assets, being depreciated, net	<u>6,323,935</u>	<u>259,215</u>	<u>(53,811)</u>	<u>6,529,339</u>
Capital assets, net	<u>\$ 7,157,363</u>	<u>\$ 640,842</u>	<u>\$ (445,239)</u>	<u>\$ 7,352,966</u>

## Note 6. Risk Management and Insurance

It is the policy of the State to cover the risk of losses to which it may be exposed through risk management activities. In general, the State is self-insured for health care claims (except for employee participation in certain health maintenance organizations), workers' compensation, and second injury workers' compensation. The State is also self-insured against tort and auto liability and property losses, with commercial insurance policies for losses that fall outside of coverage limits or are in excess of the self-insured retention.

Coverage for health care claims and workers' compensation is provided by two entities of the state. The Employees Group Insurance Division (EGID), a division of the Office of Management and Enterprise Services (OMES) manages a legal trust which provides group health, life, dental, and disability benefits to the State's employees and certain other eligible participants. CompSource Oklahoma (CSO) is a component unit that provides workers' compensation coverage for the State's employees (and private and local government employees).

CSO administers claim payments and provides excess-of-loss coverage to certain governmental entities. The premiums and fees received in connection with these transactions are included in sales revenue and were approximately \$12,882,000 in 2012. The liability for claims in excess of the self-insured entities' respective retention limits included in unpaid losses and loss adjustment expenses was approximately \$86,658,000 at December 31, 2012.

CSO limits the maximum net loss that can arise from risks by entering into reinsurance agreements to assign risk to other insurers on a catastrophe basis. Premiums paid for this reinsurance were approximately \$2,261,000 in 2012. No losses have been ceded under these agreements. Reinsurance receivables with a single reinsurer of \$1,048,000 at December 31, 2012, have been recorded in anticipation of estimated amounts to be recovered from reinsurers in future years for losses ceded pursuant to certain prior year reinsurance agreements. These agreements do not relieve CSO from its obligation to policyholders. Failure of reinsurers to honor their obligations could result in losses to CSO. Management believes that all reinsurers presently used are financially sound and will be able to meet their contractual obligations.

Coverage for second injury workers' compensation is provided by a discretely presented component unit. The Multiple Injury Trust Fund (MITF) was created to encourage the hiring of individuals with a pre-existing disability and to protect those employers from liability for the pre-existing disability. MITF records a liability for outstanding court awards only as those amounts are awarded by the Workers' Compensation Court for permanent total disability awards. There is no provision for incurred but not reported claims or claims pending Court determination. Claims and Judgments which were

due and owing at December 31, 2012, have been charged to operations for the year ended December 31, 2012. At year end, the MITF loss liability exceeded net position. MITF was indebted to claimants for court awarded judgments. Only those judgments currently payable in arrears bear interest. The rate, set by statute, is the Treasury bill rate plus 4% to be updated annually.

Coverage for liability and property losses is provided by the Risk Management Department of OMES. The Risk Management Department administers a self-insurance program to protect the State, its agencies, colleges, and universities against tort and auto liability claims. Coverage and limits under this program correspond directly with the Oklahoma Governmental Tort Claims Act (GTCA). The Risk Management Department purchases commercial liability insurance for losses that fall outside of the GTCA. The Risk Management Department also provides a Property Insurance program for all agencies, colleges, and universities through a combination of a high self-insured retention and commercial insurance policies in excess of the self-insured retention. Coverage limits are \$1 billion each occurrence subject to coverage terms and conditions. Commercial insurance is purchased to protect the State's fine arts and physical damage to its automobiles. Additionally, the Risk Management Department purchases a Government Crime Policy, i.e., Employee Dishonesty policy.

Except for MITF, estimates relating to incurred but not reported claims, as well as other probable and estimable losses have been included in accrued liabilities for each fund. None of the funds have included non-incremental claims adjustment expense as part of accrued liabilities. Because actual claims liabilities are impacted by complex factors including inflation, changes in legal doctrines, and unanticipated damage awards, the process used in computing claims liabilities does not necessarily result in exact amounts. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, and other economic and social factors.

The General Fund self-insurance loss liability for the Risk Management Department of OMES represents an estimate of amounts to be paid from economic financial resources.

The following table presents the changes in claims liability balances (both current and noncurrent) during the current fiscal year ended June 30, 2013, (December 31, 2012, for CSO, EGID (formerly OSEEGIB), and MITF) and the prior fiscal year, (expressed in thousands):

	Plus: Current		Less:	Ending	Noncurrent	Current
	Beginning	Year Claims				
Balance	and Changes	Payments				
<b>Current Fiscal Year</b>						
General Fund -						
Office of Management and						
Enterprise Services	\$ 24,220	\$ 32,615	\$ (7,479)	\$ 49,356	\$ 41,877	\$ 7,479
Proprietary Fund -						
Office of Management and						
Enterprise Services	\$ 103,204	\$ 824,493	\$ (818,041)	\$ 109,656	\$ 11,788	\$ 97,868
Component Units:						
CompSource Oklahoma	\$ 991,201	\$ 284,506	\$ (222,647)	\$ 1,053,060	\$ 838,510	\$ 214,550
Multiple Injury Trust Fund	228,548	91,735	(26,020)	294,263	267,969	26,294
Total Component Units*	\$ 1,219,749	\$ 376,241	\$ (248,667)	\$ 1,347,323	\$ 1,106,479	\$ 240,844

\* The Higher Education Component Unit's claims and judgments (\$3,989 – noncurrent) are for accrued liabilities not related to risk management.

	Plus: Current Year Claims and Changes in Estimates		Less: Claim Payments	Ending Balance	Noncurrent Liability	Current Liability
	Beginning Balance					
<b>Prior Fiscal Year</b>						
General Fund -						
Risk Management Division	\$ 25,216	\$ 6,962	\$ (7,958)	\$ 24,220	\$ 16,262	\$ 7,958
Component Units:						
CompSource Oklahoma	\$ 957,344	\$ 268,252	\$ (234,395)	\$ 991,201	\$ 779,934	\$ 211,267
State and Education Employees						
Group Insurance Board (OSEEGIB)	109,609	784,564	(790,969)	103,204	11,742	91,462
Multiple Injury Trust Fund	158,800	91,177	(21,429)	228,548	206,714	21,834
Total Component Units	\$ 1,225,753	\$ 1,143,993	\$ (1,046,793)	\$ 1,322,953	\$ 998,390	\$ 324,563

### Public Entity Risk Pool – Employees Group Insurance Division

The State operates the Employees Group Insurance Division of the Office of Management and Enterprise Services (Plan), a Public Entity Risk Pool.

#### A. Description of Plan

The Plan provides group health, dental, life, and disability benefits to active State employees and local government employees, as well as varying coverages for active education employees and certain participants of the State's retirement systems, survivors, and persons covered by COBRA. Disability coverage is available only to active State employees and local government employees. The Plan is self-insured and provides participants with the option of electing coverage from certain HMOs. Premium rates for the various groups are separately established.

The coverages are funded by monthly premiums paid by individuals, the State, local governments, educational employers, and retirement systems. A participant may extend coverage to dependents for an additional monthly premium based on the coverage requested. Of the 219,000 primary participants and dependents, approximately 31,000 primary participants and 24,000 dependents were covered by HMOs. These counts relate to health coverage only.

All State agencies are required to participate in the Plan. Eligible local governments may elect to participate in the Plan (300 local governments actually participate). Any education entity or local government which elects to withdraw from the Plan may do so with 30 days written notice, and must withdraw both its active and inactive participants.

A summary of available coverages and eligible groups, along with the number of health care participants follows:

	State Employee	Local Government Employee	Education Employee	Teachers' Retirement System	OPERS	COBRA
Health	X	X	X	X	X	X
Dental	X	X	X	X	X	X
Life	X	X	X	X	X	
Disability	X	X				
Medicare Supplement				X	X	X
Health Care Participants:						
Primary	20,000	8,000	48,000	-----	38,000	-----
Dependents	-----	-----	50,000	-----	-----	-----

#### B. Unpaid Claims Liabilities

The Plan establishes policy and contract claim reserves based on the estimated ultimate cost of settling claims that have been reported but not settled, and of claims that have been incurred but not yet reported. Disability reserves are also established based on the estimated ultimate cost of settling claims of participants currently receiving benefits and for disability claims incurred but not yet reported to the Plan.

The reserves are determined using the Plan's historical benefit payment experience. The length of time for which costs must be estimated depends on the coverages involved. Although such estimates are the Plan's best estimates of the incurred claims to be paid, due to the complex nature of the factors involved in the calculation, the actual results may be more or less than the estimate. The claim liabilities are recomputed on a periodic basis using actuarial and statistical techniques which consider the effects of general economic conditions, such as inflation, and other factors of past experience, such as changes in participant counts. Adjustments to claim liabilities are recorded in the periods in which they are made. Premium deficiency reserves are required to be recorded when the anticipated costs of settling claims for the following fiscal year are in excess of the anticipated premium receipts for the following year. Anticipated investment income is considered in determining whether a premium deficiency exists.

### C. Reconciliation of Claims Liabilities

The schedule below presents the changes in policy and contract claim reserves and disability reserves for the three types of coverages: health and dental, life, and disability (expressed in thousands):

	Health and			Total Fiscal Year 12/31/2012
	Dental Fiscal Year 12/31/2012	Life Fiscal Year 12/31/2012	Disability Fiscal Year 12/31/2012	
Reserves at beginning of period	\$ 82,493	\$ 5,887	\$ 14,824	\$ 103,204
Incurred claims:				
Provision for insured events of current period	792,484	24,403	5,693	822,580
Changes in provisions for insured events of prior periods	3,334	356	(1,777)	1,913
	<u>795,818</u>	<u>24,759</u>	<u>3,916</u>	<u>824,493</u>
Payments:				
Claims attributable to insured events of current period	706,501	20,481	799	727,781
Claims attributable to insured events of prior periods	83,127	4,177	2,956	90,260
	<u>789,628</u>	<u>24,658</u>	<u>3,755</u>	<u>818,041</u>
Reserves at end of period	<u><u>\$ 88,683</u></u>	<u><u>\$ 5,988</u></u>	<u><u>\$ 14,985</u></u>	<u><u>\$ 109,656</u></u>

### D. Revenue and Claims Development Information

The separately issued audited financial statements for the Plan include Required Supplementary Information regarding revenue and claims development.

## Note 7. Operating Lease Commitments

The State has commitments with non-state entities to lease certain buildings and equipment. Future minimum rental commitments for equipment operating leases as of June 30, 2013, are as follows (expressed in thousands):

	Fiduciary		Component	
	General Fund	Funds	Units	
2014	\$ 374	\$ 176	\$ 3,351	
2015	331	-	3,829	
2016	122	-	3,764	
2017	29	-	1,105	
2018	-	-	928	
2019-2023	-	-	8,239	
Total Future Minimum Lease Payments	<u>\$ 856</u>	<u>\$ 176</u>	<u>\$ 21,216</u>	
Operating lease commitments for building rental for year ended June 30, 2014	\$ 21,794	\$ 405	\$ 29,192	
Rent expenditures/expenses for operating leases for year ended June 30, 2013	\$ 21,494	\$ 480	\$ 64,310	

## Note 8. Lessor Agreements

### Primary Government

#### Direct Financing Leases

The Department of Transportation maintains leases classified as direct financing leases. The State leases heavy equipment and machinery to counties within the State. The lease terms are determined by the depreciation schedules published by the American Association of State Highway Transportation Officials. All new county equipment leases were charged an interest amount equivalent to 3% of the equipment cost. Title to this equipment passes to the counties at the end of the lease term. The Department of Transportation also leases railroad lines within the state to the AT&L Railroad Company with the lease term ending in 2016. No interest or executory costs are charged, and the leases include bargain purchase options. The unguaranteed residual values of the machinery, equipment, and railroad lines are not estimated by the State. Contingent rentals are not a part of any lease and uncollectible amounts are not expected. The total minimum lease payments to be received by the Department of Transportation in future years is approximately \$16,901,000, which is also the net investment in direct financing leases at June 30, 2013. The following schedule represents minimum lease payments receivable for direct financing leases for each of the five succeeding fiscal years (expressed in thousands):

	2014	2015	2016	2017	2018
Department of Transportation	\$ 4,288	\$ 3,769	\$ 3,103	\$ 2,359	\$ 1,817
Oklahoma Capital Improvement Authority	17,844	35,930	37,040	38,252	39,938
Total	<u>\$ 22,132</u>	<u>\$ 39,699</u>	<u>\$ 40,143</u>	<u>\$ 40,611</u>	<u>\$ 41,755</u>

The Oklahoma Capital Improvement Authority (OCIA) has capital lease agreements with the higher education component unit for the lease of various facilities, equipment and improvements. At June 30, 2013, the total minimum lease payments to be received by OCIA from the higher education component unit are \$585,634,000. These lease agreements end in fiscal year 2035.

#### Operating Leases

The State has operating leases maintained by various State agencies consisting primarily of State owned building space leased to non-state entities. The Primary Government's total operating leases receivable recognized in the current fiscal year is approximately \$16,000. Minimum future rentals receivable from these operating leases is presented in the following schedule (expressed in thousands):

2014	2015	2016	2017	2018
\$ 344	\$ 183	\$ 170	\$ 140	\$ 85

In addition, the leasing operations of the Commissioners of the Land Office consist of leasing approximately 743,000 acres of land principally for agricultural purposes. The lease terms are generally for five-year periods with one-fifth of the leases expiring each year. The lease year is on a calendar year basis with rents prepaid one year in advance. The rental amount is determined based on the maximum amount bid by the lessee. The following schedule presents minimum future rentals receivable from the leasing of these lands (expressed in thousands):

2014	2015	2016	2017	2018
\$ 9,739	\$ 7,519	\$ 5,165	\$ 3,448	\$ -

## Component Units

The Oklahoma Municipal Power Authority (Authority) executed a Power Purchase Agreement with FPL Energy Oklahoma Wind, LLC (FPLE Oklahoma), for the development of a wind generation facility in northwestern Oklahoma. Under the agreement, FPLE Oklahoma was responsible for acquiring, constructing and installing the wind project. The Authority issued taxable limited obligation notes which were payable solely from lease payments made by FPLE Oklahoma. The Authority used the proceeds of the notes to finance the Authority's acquisition of the wind project and has leased the wind project to FPLE Oklahoma under a long-term capital lease agreement for an amount sufficient to pay the debt service, principal and interest, on the notes. The Power Purchase Agreement has a term of approximately 25 years and power is sold on a take and pay basis. FPLE Oklahoma retains the operational risk related to the wind project. The following schedule lists the components of the lease agreement as of December 31, 2012 (expressed in thousands):

Total minimum lease payments to be received	\$ 72,268
Less: Amounts representing interest included in total minimum lease payments	(26,622)
Net investment in direct financing leases	<u><u>\$ 45,646</u></u>

## Operating Leases

The Oklahoma Turnpike Authority has various noncancelable contracts with concessionaires to provide patron services on the State's turnpike system. The contracts are generally for five year terms, with two five-year renewal options. The Authority receives concession revenue that includes minimum rentals plus contingent rentals based on sales volume. The Authority also leases antenna space under noncancelable contracts with a 20 year term. The University Hospital Authority has leased substantially all capital assets, except construction-in-progress, to the joint operations of OU Medical Center and OU Health Sciences Center. The University Hospital Authority carries receipts through 2049. The following schedule presents minimum future rentals receivable from these contracts (expressed in thousands):

	2014	2015	2016	2017	2018	Thereafter
University Hospitals Authority	\$ 1,241	\$ 676	\$ 676	\$ 676	\$ 676	\$ 20,679
Oklahoma Turnpike Authority	527	537	539	564	568	7,813
Total	<u><u>\$ 1,768</u></u>	<u><u>\$ 1,213</u></u>	<u><u>\$ 1,215</u></u>	<u><u>\$ 1,240</u></u>	<u><u>\$ 1,244</u></u>	<u><u>\$ 28,492</u></u>

The cost and carrying amount of the University Hospitals Authority leased property for the year ended June 30, 2013 (expressed in thousands):

Land	\$ 4,009
Buildings	325,610
Equipment	127,848
Infrastructure	7,670
Cost	<u>465,137</u>
Less Accumulated Depreciation	(254,251)
Net Leased Property	<u><u>\$ 210,886</u></u>

## Note 9. Long-Term Obligations As Related to Governmental Activities

Long-term obligations at June 30, 2013, and changes for the fiscal year then ended (expressed in thousands):

	Issue Date	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds Payable from Tax Revenue:								
Oklahoma Bldg 2003A, Refunding	2003	2.00%-5.00%	2013	\$ 68,680	\$ -	\$ 68,680	\$ -	\$ -
Oklahoma Bldg 2010A, Refunding	2011	2.00%-5.00%	2019	102,670	-	-	102,670	335
Oklahoma Bldg 2010B, Capitalized Interest	2011	2.00%-5.00%	2014	4,295	-	-	4,295	4,295
Oklahoma Bldg 2013, Refunding	2013	2.00%-5.00%	2019	-	29,620	-	29,620	-
Total				175,645	29,620	68,680	136,585	4,630
Revenue Bonds Payable from Lease Rentals:								
OCIA Series 1999B	2000	6.20%-7.63%	2013	305	-	305	-	-
OCIA Series 2002A	2003	2.00%-4.65%	2013	8,195	-	8,195	-	-
OCIA 2003A, Highway	2003	2.00%-5.00%	2015	22,835	-	7,260	15,575	7,615
OCIA 2003B, Highway	2003	2.00%-5.00%	2015	9,105	-	2,905	6,200	3,030
OCIA 2003C, State Facilities	2004	2.00%-4.75%	2013	13,095	-	13,095	-	-
OCIA 2003D, State Facilities	2004	2.00%-4.75%	2013	2,380	-	2,380	-	-
OCIA 2003E, State Facilities	2004	2.00%-4.00%	2016	5,570	-	1,310	4,260	1,365
OCIA 2004A, Refunding	2005	2.50%-5.00%	2025	89,315	-	9,540	79,775	10,015
OCIA 2005, Revenue	2006	3.50%-4.30%	2021	3,500	-	330	3,170	3,170
OCIA 2005A, Revenue	2005	3.00%-4.35%	2021	4,055	-	385	3,670	400
OCIA 2005B, Revenue	2005	3.00%-4.05%	2026	3,085	-	170	2,915	175
OCIA 2005C, Revenue	2005	3.00%-5.00%	2028	28,185	-	1,300	26,885	1,345
OCIA Series 2005D	2006	3.00%-4.38%	2031	18,550	-	680	17,870	700
OCIA Series 2005E	2006	3.70%-5.00%	2026	2,355	-	130	2,225	135
OCIA Series 2005F	2006	3.38%-5.00%	2031	219,205	-	-	219,205	10,280
OCIA Series 2006A	2006	3.55%-4.38%	2027	19,915	-	1,000	18,915	1,035
OCIA Series 2006B	2006	3.50%-4.25%	2027	15,430	-	775	14,655	805
OCIA Series 2006C	2006	4.00%-4.50%	2027	18,115	-	890	17,225	925
OCIA Series 2006D	2006	1.00%-5.00%	2036	101,825	-	3,700	98,125	-
OCIA Series 2006E	2006	4.00%-4.50%	2027	5,270	-	260	5,010	270
OCIA Series 2008A	2008	2.90%-5.30%	2026	23,030	-	1,240	21,790	1,280
OCIA Series 2008B	2009	2.70%-5.48%	2030	10,825	-	405	10,420	420
OCIA Series 2009A	2009	1.00%-4.20%	2025	22,360	-	1,385	20,975	1,425
OCIA Series 2009AA	2010	2.00%-4.00%	2025	64,590	-	8,455	56,135	8,680
OCIA Series 2009B	2010	5.04%-5.34%	2025	68,830	-	-	68,830	-
OCIA Series 2010, Refunding\Revenue	2011	1.77%-5.61%	2031	132,075	-	-	132,075	5,100
OCIA Series 2010A, Refunding	2011	2.00%-5.00%	2019	87,260	-	-	87,260	-
OCIA Series 2010B, Capitalized Interest	2011	2.03%-2.48%	2016	30,105	-	-	30,105	-
OCIA Series 2010A DOT	2011	2.00%-5.00%	2021	110,565	-	10,620	99,945	10,985
OCIA Series 2010B DOT	2011	4.24%-4.79%	2026	92,075	-	-	92,075	-
OCIA Series 2012 DOT	2012	2.00%-2.54%	2026	60,510	-	3,360	57,150	3,435
OCIA Series 2013A	2013	2.00%-4.00%	2025	-	22,635	-	22,635	585
OCIA Series 2013B	2013	0.50%	2015	-	160	-	160	-
Corrections 2003A, Central OK (ODFA)	2003	2.25%-4.65%	2013	23,115	-	23,115	-	-
Corrections 2004, Central OK (ODFA)	2004	3.00%-4.45%	2013	2,665	-	2,665	-	-
Corrections 2006, Central OK (ODFA)	2006	3.75%-4.50%	2026	3,410	-	185	3,225	190
Corrections 2013, Central OK (ODFA)	2013	2.00%-5.00%	2023	-	21,355	469	20,886	1,406
DHS-Pittsburg Co. 1998 (ODFA)	1998	4.25%-5.30%	2013	275	-	275	-	-
DHS-Logan/Okla Co. 2004A (ODFA)	2004	1.00%-3.85%	2019	4,465	-	575	3,890	595
DHS-2004B (ODFA)	2005	1.60%-5.13%	2020	2,890	-	310	2,580	325
DHS-2008 (ODFA)	2008	3.25%-4.15%	2023	17,925	-	1,360	16,565	1,410
DHS-2012 (ODFA)	2012	0.40%-5.00%	2022	14,255	180	1,440	12,995	1,305
Veterans Series 2005 (ODFA)	2005	2.65%-3.65%	2015	2,640	-	850	1,790	880
Law Enforcement Education/Train (ODFA)	2002	3.65%-5.50%	2013	19,125	-	19,125	-	-
Law Enforcement Education/Train (ODFA)	2013	2.00%-4.00%	2022	-	16,400	207	16,193	926
OMES 2009 (ODFA)	2009	2.50%-5.00%	2035	41,275	-	1,185	40,090	1,220
Total				1,424,555	60,730	131,836	1,353,449	81,432
Notes Payable from Tax Revenue (Tourism) and Grant Revenue (ODOT):								
Tourism 2004, Clean Water	2004	2.13%	2024	2,147	-	162	1,985	166
ODOT 2004A, Grant Anticipation	2004	1.00%-5.00%	2019	25,320	-	3,140	22,180	3,285
ODOT 2005A, Grant Anticipation	2006	3.00%-5.00%	2020	32,680	-	3,030	29,650	3,135
ODOT 2007A, Grant Anticipation	2007	3.25%-5.00%	2023	72,385	-	5,200	67,185	5,385
ODOT 2008A, Grant Anticipation	2009	3.00%-5.00%	2021	80,060	-	6,500	73,560	6,785
Total				212,592	-	18,032	194,560	18,756
Capital Leases				8,710	4,641	2,639	10,712	3,157
Compensated Absences				149,212	96,185	92,455	152,942	92,455
Pension Obligation				102,450	13,661	-	116,111	-
Bond Issue Premiums				77,204	7,944	9,482	75,666	10,178
Claims and Judgements Payable				24,220	32,615	7,479	49,356	7,479
Other Postemployment Benefits				251	324	187	388	-
Total Long-Term Obligations				\$ 2,174,839	\$ 245,720	\$ 330,790	\$ 2,089,769	\$ 218,087

Reductions of debt includes refinancing of the series 2003 general obligation bonds, \$21,355 for the DOC Series 2003A and 2004 ODFA revenue bonds, \$22,795 for the OCIA Series 1998B, 2002A, 2003C and 2003D Bonds, and \$16,400 for the CLEET bonds.

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2013, which have scheduled debt service amounts (expressed in thousands):

	2014	2015	2016	2017	2018	2019-2023	2024-2028	2029-2033	2034-2038	2039-2043	Total
<b>General Obligation bonds:</b>											
Oklahoma Bldg 2010A, Refunding	\$4,595	\$7,956	\$28,093	\$28,910	\$28,031	\$21,941	\$	-	\$	-	\$119,526
Oklahoma Bldg 2010B, Capitalized Interest	4,329				-						4,329
Oklahoma Bldg 2013, Refunding	732	21,508	1,293	383	1,212	7,241	-	-	-	-	32,369
Less: Interest	5,026	4,904	4,091	3,069	1,898	651	-	-	-	-	19,639
Total Principal	4,630	24,560	25,295	26,224	27,345	28,531	-	-	-	-	136,585
<b>Revenue Bonds:</b>											
OCIA 2003A, Highway	8,259	8,258	-	-	-	-	-	-	-	-	16,517
OCIA 2003B, Highway	3,269	3,269	-	-	-	-	-	-	-	-	6,538
OCIA 2003E, State Facilities	1,503	1,506	1,505	-	-	-	-	-	-	-	4,514
OCIA 2004A, Refunding	13,713	13,710	13,686	13,666	13,648	25,418	523	-	-	-	94,364
OCIA 2005 Revenue	3,234	-	-	-	-	-	-	-	-	-	3,234
OCIA 2005A, Revenue	543	543	542	539	540	1,615	-	-	-	-	4,322
OCIA 2005B, Revenue	300	298	301	298	299	1,474	878	-	-	-	3,848
OCIA 2005C, Revenue	2,508	2,509	2,507	2,498	2,480	12,231	12,119	-	-	-	36,852
OCIA 2005D Revenue	1,427	1,427	1,425	1,426	1,425	7,106	7,081	4,231	-	-	25,548
OCIA 2005E Revenue	226	226	225	224	223	1,116	662	-	-	-	2,902
OCIA 2005F Revenue	20,831	20,825	20,823	20,786	8,718	60,084	119,820	71,609	-	-	343,496
OCIA 2006A Revenue	1,788	1,789	1,787	1,788	1,786	8,916	7,103	-	-	-	24,957
OCIA 2006B Revenue	1,385	1,384	1,382	1,382	1,382	6,893	5,488	-	-	-	19,296
OCIA 2006C Revenue	1,656	1,658	1,659	1,656	1,652	8,251	6,572	-	-	-	23,104
OCIA 2006D Revenue	5,091	5,091	5,099	5,083	5,091	25,456	25,464	111,181	8,533	-	196,089
OCIA 2006E Revenue	480	479	482	480	477	2,392	1,905	-	-	-	6,695
OCIA 2008A Revenue	2,277	2,276	2,277	2,276	2,269	11,315	6,759	-	-	-	29,449
OCIA 2008B Revenue	924	923	925	922	921	4,594	4,564	1,820	-	-	15,593
OCIA 2009A Revenue	2,187	2,186	2,189	2,180	2,189	10,887	4,349	-	-	-	26,167
OCIA 2009AA Revenue	10,434	10,427	10,409	10,376	10,366	10,356	-	-	-	-	62,368
OCIA 2009B Revenue	3,588	3,588	3,588	3,588	3,588	57,839	25,799	-	-	-	101,578
OCIA Series 2010, Refunding\Revenue	11,441	11,419	11,403	11,386	11,372	56,634	56,318	33,596	-	-	203,569
OCIA Series 2010A, Refunding	3,841	3,841	9,138	21,669	33,687	32,894	-	-	-	-	105,070
OCIA Series 2010B, Capitalized Interest	666	18,039	12,710	-	-	-	-	-	-	-	31,415
OCIA 2010A DOT	14,784	14,764	14,746	14,707	14,722	43,959	-	-	-	-	117,682
OCIA 2010B DOT	4,229	4,229	4,229	4,229	4,229	50,186	66,826	-	-	-	138,157
OCIA 2012 DOT	5,807	5,808	5,812	5,807	5,812	29,050	17,427	-	-	-	75,523
OCIA 2013A Revenue	1,065	2,663	2,667	2,669	2,665	12,459	2,591	-	-	-	26,779
OCIA 2013B Revenue	1	160	-	-	-	-	-	-	-	-	161
Corrections 2006, Central OK (ODFA)	329	332	329	330	331	1,655	992	-	-	-	4,298
Corrections 2013, Central OK (ODFA)	2,051	2,650	2,642	2,648	2,648	13,245	-	-	-	-	25,884
DHS-Logan/Oklahoma Co. 2004A (ODFA)	735	735	734	737	733	732	-	-	-	-	4,406
DHS-2004B	432	434	430	431	428	858	-	-	-	-	3,013
DHS-2008	2,032	2,033	2,031	2,030	2,030	10,156	-	-	-	-	20,312
DHS-2012	1,798	1,797	1,794	1,797	1,798	6,726	-	-	-	-	15,710
Veterans Series 2005 (ODFA)	945	943	-	-	-	-	-	-	-	-	1,888
Law Enforcement Education/Train (ODFA)	1,466	1,465	1,484	1,466	1,463	7,320	5,733	-	-	-	20,397
Finance 2009 (ODFA)	2,918	2,916	2,918	2,922	2,917	14,554	14,476	14,398	5,742	-	63,761
	140,163	156,600	143,878	141,996	141,889	536,371	393,449	236,835	14,275	-	1,905,456
Less: Interest	58,731	55,811	52,312	48,753	44,804	170,631	88,147	32,136	682	-	552,007
Total Principal	81,432	100,789	91,566	93,243	97,085	365,740	305,302	204,699	13,593	-	1,353,449
<b>Notes Payable:</b>											
Tourism 2004, Clean Water	208	209	210	211	214	1,073	108	-	-	-	2,233
ODOT 2004A, Grant Anticipation	4,252	4,255	4,248	4,245	4,236	4,232	-	-	-	-	25,468
ODOT 2005A, Grant Anticipation	4,417	4,417	4,412	4,406	4,401	13,210	-	-	-	-	35,263
ODOT 2007A, Grant Anticipation	8,518	8,472	8,468	8,482	8,482	42,233	-	-	-	-	84,655
ODOT 2008A, Grant Anticipation	10,136	10,122	10,113	10,095	10,076	40,223	-	-	-	-	90,765
	27,531	27,475	27,451	27,439	27,409	100,971	108	-	-	-	238,384
Less: Interest	8,775	7,905	6,951	5,950	4,903	9,339	1	-	-	-	43,824
Total Principal	18,756	19,570	20,500	21,489	22,506	91,632	107	-	-	-	194,560
Capital Leases	3,761	2,503	2,170	1,623	918	1,174	-	-	-	-	12,149
Less: Interest	370	275	208	143	100	84	-	-	-	-	1,180
Less: Executory Cost	234	9	7	7	-	-	-	-	-	-	257
Total Principal	3,157	2,219	1,955	1,473	818	1,090	-	-	-	-	10,712
Total	\$ 107,975	\$ 147,138	\$ 139,316	\$ 142,429	\$ 147,754	\$ 486,993	\$ 305,409	\$ 204,699	\$ 13,593	\$ -	\$ 1,695,306
Long-Term Debt without scheduled debt service:											
Compensated Absences											152,942
Pension Obligation											116,111
Bond Issue Premiums											75,666
Claims and Adjustments Payable											49,356
Other Postemployment Benefits											388
Total Long-Term Obligations											\$2,089,769

## A. General Obligation Bonds

General obligation bonds, administered by the State Treasurer, are authorized and issued primarily to provide resources for State-owned capital improvements, including office buildings for State agencies. The State has pledged 100% of cigarette taxes collected under these bond issues. General obligation bonds are backed by the full faith and credit of the State, including the State's power to levy additional taxes to ensure repayment of the bonds.

## **B. Revenue Bonds**

The Oklahoma Capitol Improvement Authority (OCIA) has twenty-nine outstanding series of building bonds to construct and equip State office buildings and prisons. Principal and interest payments on these bond issues are paid from rents collected from the various State and federal agencies that occupy the buildings constructed with the bond proceeds. The 2006D series are multi-modal variable rate demand bonds and are the only variable rate bonds issued by OCIA. The interest rate resets on a daily, weekly, or monthly interest rate mode which is determined by public bond market conditions.

The Oklahoma Development Finance Authority (ODFA) has issued lease revenue bonds to provide lease financing for the Department of Corrections, the Department of Human Services, the Department of Veterans Affairs, the Council for Law Enforcement Education and Training, and the Office of Management and Enterprise Services. The actual lease payments are made to a trustee who is responsible for payments to individual investors.

## **C. Notes Payable**

The Oklahoma Department of Transportation has issued several series of Grant Anticipation Notes for the purpose of financing certain qualified federal aid transportation projects in the State. The notes are secured by federal revenue received from the Federal Highway Administration (FHA) and have a final maturity in 2023. Total revenue received from the FHA in fiscal year 2013 was \$536,569,000 with a portion of that amount, \$236,151,000, reserved as security for the notes. Current year note obligations for principal and interest totaled \$27,323,000.

## **D. Capital Leases**

The State has entered into agreements to lease equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. Capital lease obligations are reported for those leases where the fair market value of the leased asset at inception of the lease is \$25,000 or more.

Leased equipment under capital leases in capital assets at June 30, 2013, includes the following (expressed in thousands):

	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
Cost	\$ 1,869	\$ 18,138	\$ 20,007
Less: Accumulated depreciation	(243)	(6,680)	(6,923)
<b>Total</b>	<b>\$ 1,626</b>	<b>\$ 11,458</b>	<b>\$ 13,084</b>

## **E. Other Liabilities**

Compensated absences are liquidated by the General Fund and do not have scheduled future debt service requirements beyond one year. The pension obligation is for the Oklahoma Department of Wildlife Conservation defined benefit pension plan, the Oklahoma Law Enforcement Retirement System and the Uniform Retirement System for Judges and Justices. These plans are single-employer plans that provide retirement, disability, and death benefits to the plan members and their beneficiaries. These pension obligations do not have scheduled future debt service requirements. The Wildlife Pension Plan obligation will be liquidated by the General Fund. The pension liability for the Oklahoma Law Enforcement Retirement System and the Uniform Retirement System for Judges and Justices will be liquidated by the respective pensions.

## **F. Authorized Unissued Bonds**

The Oklahoma Capital Improvement Authority (OCIA) has been authorized to issue bonds in the amount of \$9,000,000 for the Department of Tourism and Recreation to acquire, construct and renovate offices. OCIA also has authorization to issue \$2,665,000 of bonds for the School of Science and Mathematics and \$6,000,000 of bonds for the Department of Mental Health/Substance Abuse Services pending matching funding. The Oklahoma Water Resources Board (OWRB) has been authorized to issue general obligation bonds in the amount of \$300,000,000 to be used as credit for other OWRB loan programs.

## Note 10. Long-Term Obligations As Related to Business-Type Activities

The Oklahoma Water Resources Board (Board) along with the Department of Environmental Quality has issued 32 series of revenue bonds. These bonds provide resources to implement statewide financial assistance programs. These programs make loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems.

Long-term obligations at June 30, 2013, and changes for the fiscal year then ended are as follows (expressed in thousands):

	Issue Dates	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Revenue Bonds Payable from User Fees:								
1989-2013 Issues	1989-2013	0.25-6.30%	2043	\$ 800,300	\$ 162,342	\$ 61,455	\$ 901,187	\$ 130,725
Adjusted for: Bond Premiums and Discounts				32,657	-	2,431	30,226	-
Revenue Bonds Payable Net of Bond Premiums and Discounts				<u>832,957</u>	<u>162,342</u>	<u>63,886</u>	<u>931,413</u>	<u>130,725</u>
Other Noncurrent Liabilities				15,975	46	-	16,021	4,233
Compensated Absences				346	975	177	1,144	143
Total Long-Term Obligations				<u>\$ 849,278</u>	<u>\$ 163,363</u>	<u>\$ 64,063</u>	<u>\$ 948,578</u>	<u>\$ 135,101</u>

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2013, which have scheduled debt service amounts (expressed in thousands):

	2014	2015	2016	2017	2018	2019-2023	2024-2028	2029-2033	2034-2038	2039-2043	Total
Revenue Bonds:											
1989-2013 Issues	\$ 166,455	\$ 76,070	\$ 72,092	\$ 71,152	\$ 69,433	\$ 319,142	\$ 257,239	\$ 169,545	\$ 47,715	\$ 23,140	\$ 1,271,983
Less: Interest	35,730	32,307	30,778	29,227	27,577	111,073	65,700	27,729	8,935	1,740	370,796
Principal	<u>130,725</u>	<u>43,763</u>	<u>41,314</u>	<u>41,925</u>	<u>41,856</u>	<u>208,069</u>	<u>191,539</u>	<u>141,816</u>	<u>38,780</u>	<u>21,400</u>	<u>901,187</u>
Total	<u>\$ 130,725</u>	<u>\$ 43,763</u>	<u>\$ 41,314</u>	<u>\$ 41,925</u>	<u>\$ 41,856</u>	<u>\$ 208,069</u>	<u>\$ 191,539</u>	<u>\$ 141,816</u>	<u>\$ 38,780</u>	<u>\$ 21,400</u>	<u>\$ 901,187</u>
Adjusted for: Bond and Note Premium and Discounts											30,226
Long-Term Obligations without scheduled debt service:											
Other Noncurrent Liabilities											16,021
Compensated Absences											1,144
Total Long-Term Obligations											<u>\$ 948,578</u>

Several of the bonds bear interest at variable rates, initially set at 0.87% to 3.80% and are periodically adjusted, pursuant to the provisions of the bond indentures, to a maximum rate of 14% per year. Variable rates are reset semiannually by the remarketing agent. The interest rate on the bonds was 0.30% at June 30, 2013. At the option of the Board and subject to applicable provisions of the bond indenture, which require, among other things, that all bonds be successfully remarketed, the variable interest rate may be converted to a term rate that would stay fixed until maturity.

## Note 11. Long-Term Obligations as Related to Component Units

Long-term obligations at June 30, 2013 (September 30, 2012, for Oklahoma Housing Finance Agency and December 31, 2012, for Oklahoma Turnpike Authority, Grand River Dam Authority and Municipal Power Authority), and changes for the fiscal year then ended are as follows (expressed in thousands):

	Issue Dates	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
General Obligation Bonds Payable from User Fees:								
Industrial Finance Authority	2001-2005	2.50 - 5.25%	2022	\$ 46,855	\$ -	\$ 625	\$ 46,230	\$ 655
Total Before Adjustments				46,855	-	625	46,230	
Adjusted for: Bond Premiums				39	-	5	34	
Net Deferred Debits on Refundings				(127)	-	(17)	(110)	
Total General Obligation Bonds Payable				46,767	-	613	46,154	655
Net of Bond Premiums and Deferrals								
Revenue Bonds Payable from User Fees:								
Student Loan Authority	1995-2013	0.15 - 6.35%	2041	475,938	211,820	104,442	583,316	-
Development Finance Auth.	1996	2.50%	2031	9,999	-	-	9,999	-
Housing Finance Agency	1987-2011	0.73 - 8.00%	2042	618,990	156,020	209,659	565,351	92,376
Turnpike Authority	2002-2012	2.00 - 5.50%	2031	1,136,213	-	50,953	1,085,260	49,310
Grand River Dam Authority	1995-2010	3.00 - 7.16%	2040	992,246	-	86,765	905,481	91,110
Municipal Power Authority	1992-2010	1.20 - 6.44%	2047	607,990	-	17,795	590,195	18,635
University Hospitals Authority	2005	0.09 - 0.22%	2036	50,060	-	1,095	48,965	1,170
Higher Education	1993-2007	1.20 - 10.00%	2034	1,240,016	157,165	91,439	1,305,742	42,156
Total Before Discounts/Deferrals				5,131,452	525,005	562,148	5,094,309	
Adjusted for: Bond (Discount) Premiums				91,143	(557)	6,100	84,486	
Net Deferred Debits on Refundings				(105,350)	-	(90,108)	(15,242)	
Total Revenue Bonds Payable				5,117,245	524,448	478,140	5,163,553	294,757
Net of Bond (Discounts) Premiums and Deferrals								
Notes Payable:								
Multiple Injury Trust Fund	2000-2001	7.00%	2031	21,614	-	1,449	20,165	1,553
Oklahoma Turnpike Authority	2009-2010	1.01%	2012	27,490	-	8,000	19,490	19,490
Student Loan Authority	1995-2004	0.20 - 1.24%	2035	289,989	-	251,789	38,200	-
Municipal Power Authority	2003	6.00%	2028	47,323	-	1,677	45,646	1,778
Higher Education	2001-2007	1.88 - 8.00%	2046	172,684	72,055	105,974	138,765	69,876
Total				559,100	72,055	368,889	262,266	92,697
Capital Leases:								
Higher Education				1,012,933	10,952	51,848	972,037	58,927
Total				1,012,933	10,952	51,848	972,037	58,927
Claims and Judgments								
Due to Primary Government				1,331,177	436,340	412,803	1,354,714	244,245
Compensated Absences				54,307	-	614	53,693	1,260
Other Noncurrent Liabilities				116,780	58,782	57,112	118,450	84,610
Total Long-Term Obligations				774,035	314,876	289,946	798,965	280,964
				\$ 9,012,344	\$ 1,417,453	\$ 1,659,965	\$ 8,769,832	\$ 1,058,115

## A. General Obligation Bonds

Oklahoma Industrial Finance Authority (OIFA) has six series of general obligation bonds outstanding. These bonds are issued for the funding of industrial finance loans to encourage business development within the State. All revenues arising from the net proceeds from repayment of industrial finance loans and interest received thereon are pledged under these bond issues. In addition, these general obligation bonds are backed by the full faith and credit of the State.

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2013 (September 30, 2012, for Oklahoma Housing Finance Agency and December 31, 2012, for Oklahoma Transportation Authority, Grand River Dam Authority and Municipal Power Authority), which have scheduled debt service amounts (expressed in thousands):

	2014	2015	2016	2017	2018	2019-2023	2024-2028	2029-2033	2034-2038	2039-2043	2044-2048	Total
General Obligation Bonds:												
Industrial Finance Authority	\$ 1,946	\$ 1,948	\$ 1,944	\$ 1,943	\$ 1,946	\$ 44,442	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,169
	1,946	1,948	1,944	1,943	1,946	44,442	-	-	-	-	-	54,169
Less: Interest	1,291	1,258	1,224	1,188	1,151	1,827	-	-	-	-	-	7,939
Total Principal	655	690	720	755	795	42,615	-	-	-	-	-	46,230
Revenue Bonds:												
Student Loan Authority	5,574	5,574	5,574	5,574	5,574	27,870	83,196	254,169	173,897	138,621	-	705,623
Development Finance Auth.	250	250	250	250	250	1,250	1,250	10,561	-	-	-	14,311
Housing Finance Agency	114,315	34,288	33,046	32,761	33,076	163,636	163,912	154,331	174,913	-	-	904,278
Turnpike Authority	96,621	95,343	95,338	95,336	95,339	448,409	439,845	194,428	-	-	-	1,560,659
Grand River Dam Authority	133,476	91,344	61,817	61,742	61,657	307,841	306,593	305,232	130,996	52,342	-	1,513,040
Municipal Power Authority	48,300	48,084	47,476	47,211	47,052	228,173	172,432	120,529	121,187	119,009	90,247	1,089,700
University Hospitals Authority	2,046	2,082	2,131	2,165	11,652	12,985	14,379	12,660	-	-	-	60,100
Higher Education	98,481	100,538	101,817	100,290	96,362	470,138	435,056	358,026	245,919	91,895	-	2,098,522
	499,063	377,503	347,449	345,329	350,962	1,660,302	1,616,663	1,409,936	846,912	401,867	90,247	7,946,233
Less: Interest	204,306	212,204	190,893	184,476	180,560	773,748	556,443	330,245	159,255	49,022	10,772	2,851,924
Total Principal	294,757	165,299	156,556	160,853	170,402	886,554	1,060,220	1,079,691	687,657	352,845	79,475	5,094,309
Notes Payable:												
Multiple Injury Trust Fund	2,924	2,925	2,925	2,925	2,925	13,150	-	-	-	-	-	27,774
Oklahoma Turnpike Authority	19,490	-	-	-	-	-	-	-	-	-	-	19,490
Student Loan Authority	56	56	56	56	28,031	71	10,234	-	-	-	-	38,560
Municipal Power Authority	4,517	4,517	4,517	4,517	4,517	22,584	22,584	4,515	-	-	-	72,268
Higher Education	78,813	16,620	16,029	15,804	6,203	17,467	2,985	2,986	1,814	1,087	655	160,463
	105,800	24,118	23,527	23,302	41,676	53,272	35,803	7,501	1,814	1,087	655	318,555
Less: Interest	13,103	6,871	5,877	4,847	3,958	13,547	6,090	1,233	464	245	54	56,289
Total Principal	92,697	17,247	17,650	18,455	37,718	39,725	29,713	6,268	1,350	842	601	262,266
Capital Leases:												
Higher Education	99,236	106,021	101,850	99,687	99,305	324,668	316,419	240,910	60,644	7,478	-	1,456,218
	99,236	106,021	101,850	99,687	99,305	324,668	316,419	240,910	60,644	7,478	-	1,456,218
Less: Interest	40,309	41,297	39,044	36,433	34,099	141,280	96,257	47,463	7,571	428	-	484,181
Total Principal	58,927	64,724	62,806	63,254	65,206	183,388	220,162	193,447	53,073	7,050	-	972,037
Total	\$ 447,036	\$ 247,960	\$ 237,732	\$ 243,317	\$ 274,121	\$ 1,152,282	\$ 1,310,095	\$ 1,279,406	\$ 742,080	\$ 360,737	\$ 80,076	\$ 6,374,842
Adjusted for: Net Discounts and Deferred Debits on Refundings												69,168
Long-Term Obligations without scheduled debt service:												
Claims and Judgments												1,354,714
Due to Primary Government												53,693
Compensated Absences												118,450
Other Noncurrent Liabilities												798,965
Total Long-Term Obligations												\$ 8,769,832

## B. Revenue Bonds

The Oklahoma Student Loan Authority (OSLA) has issued twelve series of revenue bonds with outstanding balances. The bonds are issued for the purpose of funding student loans. All bonds payable are primarily secured by the student loans receivable, related accrued interest and by the amounts on deposit in the accounts established under the respective bond resolution. Variable interest rates are adjusted periodically based on prevailing market rates of various instruments as prescribed in bond indentures. At June 30, 2013, the variable interest rates ranged from 0.15% to 6.35%.

The Oklahoma Development Finance Authority (ODFA) has issued a revenue bond to fund loans to various investment enterprises in connection with the Quality Jobs Investment Program. The bond is payable solely from and secured by the revenues and funds in the Quality Jobs Investment Program and a Credit Enhancement Reserve Fund guarantee insurance policy. The interest rate is variable and is equal to the Oklahoma Industrial Finance Authority's cost of funds on its outstanding variable rate bond issues. The interest rate at June 30, 2013 was 2.5%.

The Oklahoma Housing Finance Agency (OHFA) has issued 35 series of revenue bonds with outstanding balances at year end. The net proceeds of these bonds are used to provide financing for qualifying residences, provide interim and permanent financing for multi family construction projects, and establish debt service reserves as required by the various trust indentures.

The Oklahoma Turnpike Authority (OTA) has issued six series of revenue bonds with an original issue amount of \$1,364,930,000. The bonds are issued for the purpose of financing capital improvements and new projects relating to the State's turnpike system and are financed primarily by tolls assessed on users of the turnpikes.

The Grand River Dam Authority (GRDA) has issued four series of revenue bonds with an original issue amount of \$1,093,061,000. Oklahoma statutes have authorized GRDA to issue revenue bonds with the aggregate outstanding indebtedness not to exceed \$1,410,000,000.

The Oklahoma Municipal Power Authority (OMPA) has issued nine series of revenue bonds. The bonds are issued to finance portions of OMPA's acquisition and construction activities. The bonds are payable from and collateralized by a

pledge of and security interest in the proceeds of the sale of the bonds, the revenues of OMPA, and assets in the funds established by the respective bond resolutions. Neither the State of Oklahoma nor any political subdivision thereof is obligated to pay principal or interest on the bonds. OMPA does not have any taxing authority. Certain series of the bonds have a variable interest rate which is established either by auction or a weekly index. The maximum rate is 14%.

The University Hospitals Authority (UHA) has issued two revenue bond series (2005A-Tax Exempt and 2005B- Taxable) with an original issue amount of \$55,460,000. The proceeds were used to finance construction of new pediatric ambulatory care facilities and a basic research center.

Twenty-one of the State's colleges and universities within the Higher Education component unit have authorized and issued 83 series of revenue bonds with an original issue amount of \$1,443,955,000. These bonds were issued for the construction of student housing and other facilities. Student fees, revenues produced by the constructed facilities, and other revenues collateralize the revenue bonds.

#### **C. Defeased Bonds**

In prior years, component units have defeased bonds by placing assets in irrevocable trusts to provide for all future debt service payments on the defeased bonds. Accordingly, the assets of the trusts and the liabilities for the defeased bonds are not included in the accompanying financial statements. The following defeased bonds were outstanding at June 30, 2013 (December 31, 2012 for GRDA and OMPA) (expressed in thousands):

Revenue Bonds		
GRDA	OMPA	Higher Education
\$ 28,970	\$ 38,035	\$ 12,150

#### **D. Notes Payable**

The Multiple Injury Trust Fund (MITF) component unit reports a note payable to CompSource Oklahoma component unit of \$20,165,000 as permitted by statute. Included in this note payable is a \$6,000,000 advance on a line of credit. The note and line of credit bear interest at a 7% rate and are payable over 30 years in quarterly installments. The note and line of credit are collateralized by MITF revenues and any equity or other interests available to MITF.

Notes of the Oklahoma Student Loan Authority (OSLA) are issued to fund student loans and are primarily secured by the student loans receivable, related accrued interest and by the amounts on deposit in the accounts established under the respective financing agreements. Variable interest rates are adjusted periodically based on prevailing market rates of various instruments as prescribed in lending agreements. At year end the variable interest rate was 0.14% .

The Oklahoma Municipal Power Authority (OMPA) has issued \$57,739,000 of taxable limited obligation notes. The notes are payable solely from lease payments made by FPL Energy Oklahoma Wind, LLC with no recourse to OMPA. The notes bear an interest rate of 6%, and annual principal and interest payments are due through December 31, 2028.

The Higher Education component unit has entered into various notes payable agreements. Lease payments, a pledge of "Section Thirteen Fund State Educational Institutions" moneys, the equipment purchased, and the facilities constructed are pledged as collateral on the notes.

#### **E. Capital Leases**

The Higher Education component unit has entered into agreements with unrelated parties as well as agreements with the Oklahoma Capital Improvement Authority (OCIA) to lease various facilities, equipment and improvements. In fiscal year 1999, the Higher Education component unit signed capital lease agreements with OCIA totaling \$49,178,000 and additional agreements totaling \$515,350,000 during fiscal year 2006. In fiscal year 2011, additional agreements with OCIA totaling \$249,440,000 were added. The outstanding principal balance for the OCIA leases at June 30, 2013, is

\$585,634,000. Only the principal balance of the leases is recognized since it is equivalent to the value of the items leased. The OCIA agreements are aggregated with the other capital lease obligations on the statement of net position for year end.

Leased assets under capital leases in capital assets at June 30, 2013, included the following (expressed in thousands):

	Land	Construction In Progress	Buildings	Equipment	Total
Cost	\$ -	\$ 2,164	\$ 411,274	\$ 103,656	\$ 517,094
Less: Accumulated depreciation	-	-	(44,048)	(46,421)	(90,469)
<b>Total</b>	<b>\$ -</b>	<b>\$ 2,164</b>	<b>\$ 367,226</b>	<b>\$ 57,235</b>	<b>\$ 426,625</b>

## F. Other Liabilities

Claims and judgments, due to Primary Government, compensated absences, and other noncurrent liabilities of each component unit, as presented in the financial statements, will be liquidated by the reporting component unit. Other noncurrent liabilities include deferred revenue and other miscellaneous liability amounts. These liabilities do not have scheduled future debt service requirements beyond one year.

## G. Authorized Unissued Bonds

By statute, Oklahoma Industrial Finance Authority (OIFA) has authority to issue general obligation bonds not to exceed \$90,000,000 plus the balance in its bond redemption account. This results in \$46,230,000 of authorized but unissued general obligation bonds. Certain institutions within the Higher Education component unit have been authorized to issue revenue bonds in the amount of \$42,000,000 for various construction, renovation and acquisition of property.

## Note 12. Net Position\Fund Balance

### Beginning Net Position and Other Restatements

#### Primary Government

Beginning net position related to Governmental Activities on the Statement of Activities have been restated due to adjustments to capital assets (increase of \$151,000), and accounting errors (increase of \$8,702,000) at July 1, 2012. This restatement increased beginning net position by \$8,853,000.

The Statement of Revenues, Expenditures and Changes in Fund Balance for Governmental Funds has been restated due to correction of accounting errors. Total beginning net position for Governmental funds increased \$8,702,000.

#### Component Units

Beginning net position for the Higher Education Component Unit has been restated due to accounting errors (decrease of \$12,732,000), cumulative change in accounting principle (increase of \$7,937,000) and the reclassification of the Employees Group Insurance Division of the Office of Management and Enterprise Services (formerly Oklahoma State Employees and Education Group Insurance Board) to the Proprietary Fund of the Primary Government (decrease of \$270,184,000). The net effect of the restatements decreased beginning net position by \$274,979,000 as of July 1, 2012.

## Proprietary Funds

Beginning net position for the Statement of Revenues, Expenses and Changes in Net Position for Proprietary Funds increased by \$270,184,000 as a result of the Employees Group Insurance Division of the Office of Management and Enterprise Services (formerly Oklahoma State Employees and Education Group Insurance Board a component unit of the State) being reclassified as a Proprietary Fund of the Primary Government. In addition, the beginning net position decreased \$4,183,000 due to correction of accounting errors at the Water Resources Board. The net effect of the restatement increased net position by \$266,001,000 as of July 1, 2012.

## Governmental Fund Balance

The governmental fund financial statements present fund balance at the aggregate level of detail within the categories defined by GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The table below represents the detailed amount of fund balance available to each functional level of government within those categories. This table also contains a separate detailed categorization for the State's stabilization, or "Rainy Day" fund if a balance is available at the end of fiscal year (expressed in thousands):

	General	Permanent Funds			Total Governmental Funds
		Commissioners of the Land Office	Department of Wildlife Lifetime Licenses	Tobacco Settlement Endowment	
<b>Nonspendable</b>					
Inventories	\$ 83,878	\$ -	\$ -	\$ -	\$ 83,878
Prepays	865	-	-	-	865
Permanent Fund Principal	-	2,024,212	75,830	729,689	2,829,731
<b>Restricted</b>					
Education	18,560	12,438	-	-	30,998
General Government	734,999	-	-	-	734,999
Health Services	29,988	-	-	-	29,988
Legal and Judiciary	8,138	-	-	-	8,138
Museums	3,305	-	-	-	3,305
Natural Resources	19,482	-	-	-	19,482
Safety and Defense	4,207	-	-	-	4,207
Regulatory Services	6,055	-	-	-	6,055
Social Services	14,197	-	-	-	14,197
Transportation	253	-	-	-	253
Stabilization Fund (Rainy Day)	401,389	-	-	-	401,389
<b>Committed</b>					
Education	156,962	-	-	-	156,962
General Government	973,632	-	-	-	973,632
Health Services	(10,759)	-	-	-	(10,759)
Legal and Judiciary	116,583	-	-	-	116,583
Museums	(811)	-	-	-	(811)
Natural Resources	192,905	-	-	-	192,905
Safety and Defense	133,899	-	-	-	133,899
Regulatory Services	136,293	-	-	-	136,293
Social Services	132,629	-	-	-	132,629
Transportation	512,744	-	-	-	512,744
Assigned	1,960	-	-	60,952	62,912
<b>Unassigned</b>					
Permanent Fund	-	-	-	39,056	39,056
Stabilization Fund (Rainy Day)	133,796	-	-	-	133,796
<b>Total Fund Balances</b>	<b>\$ 3,805,149</b>	<b>\$ 2,036,650</b>	<b>\$ 75,830</b>	<b>\$ 829,697</b>	<b>\$ 6,747,326</b>

Nonspendable fund balance represents amounts that are not in spendable form. These amounts are not expected to be converted to cash. The State's primary forms of nonspendable fund balance are inventories and prepaid items such as rent or postage. Nonspendable fund balance also includes principal amounts within each respective permanent fund that is legally required to be maintained into perpetuity.

Restricted fund balance represents amounts that have constraints upon their use through either outside creditors, grantors, contributors or other governments as well as those amounts restricted through constitutional provisions or enabling legislation that can be legally enforced by parties outside the government. The State's general fund restricted fund balance is primarily comprised of amounts yet to be expended under federal grant awards, imminent payments on outstanding bond issues, long-term receivables that must be used for debt repayment, and 75% of any available balance in the stabilization or "Rainy Day" fund. The Commissioners of the Land Office Permanent Fund is restricted for educational systems. Fund balance as restricted by the various constraints in the general fund for the fiscal year ended June 30, 2013 were as follows (expressed in thousands):

	General Fund - Restricted				Restricted Fund Balance
	For Debt Service Only	Federal Cash	By Enabling Legislation		
Restricted					
Education	\$ -	\$ 18,560	\$ -	\$ 18,560	
General Government	723,649	11,351	-	735,000	
Health Services	1,315	28,673	-	29,988	
Legal and Judiciary	-	8,138	-	8,138	
Museums	911	2,394	-	3,305	
Natural Resources	546	18,936	-	19,482	
Safety and Defense	194	4,013	-	4,207	
Regulatory Services	5,652	403	-	6,055	
Social Services	10,421	3,775	-	14,196	
Transportation	-	253	-	253	
Stabilization Fund (Rainy Day)	-	-	401,389	401,389	
Total Fund Balances	\$ 742,688	\$ 96,496	\$ 401,389	\$ 1,240,573	

Committed fund balance is presented for each respective function of government as directed by the State's highest level of decision making authority. Along with ratification by the Governor, the Senate and the House of Representatives write, prepare and approve legislative bills to allocate the State's available resources each fiscal year. This process is a formal legislative action constituting the highest level of decision making authority. Once this authority has been exercised, the same action must be taken to modify or rescind a previously approved bill or allocation of resources.

Under GAAP reporting, the nonspendable and restricted fund balance categories are considered to be restricted fund balance. The committed, assigned and unassigned fund balances are considered to be unrestricted fund balance. Generally, when the State has both restricted and unrestricted resources available, the restricted balances will be used first as expenditures are incurred as long as conditions that created the restriction are met. When unrestricted fund balance is used, the order of use would generally be committed, then assigned, and finally unassigned.

Article 10, Section 23 of the State Constitution establishes a stabilization arrangement (Constitutional Reserve or Rainy Day Fund) under certain conditions where revenues collected exceed estimates made by the State Board of Equalization. Each year the Board determines the amount available for allocation by the legislature not to exceed 95% of the Board's estimate, or General Revenue Fund certification amount. In any year in which amounts collected exceed 100% of the Board's estimated revenues, the excess is placed in the Constitutional Reserve Fund until the fund reaches 15% of the General Revenue Fund certification amount for the preceding fiscal year. Up to 37.5% of the balance in the fund at the beginning of the year may be appropriated for the forthcoming fiscal year when the Equalization Board's estimate is lower than the current fiscal year certification. An additional 37.5% of the Constitutional Reserve Fund at the beginning of the year may be appropriated for the current year if the Equalization Board determines that a revenue failure has occurred

with respect to the General Revenue Fund for the current year. The remaining 25% of the balance in the Constitutional Reserve Fund may be appropriated upon a declaration by the Governor that emergency conditions exist with concurrence by a 2/3rds vote within the Senate and House of Representatives. This same 25% may also be appropriated through a joint declaration of emergency by both the Senate and House of Representatives with a concurrent 3/4ths vote by each legislative body. Due to the different methods for accessing the Constitutional Reserve Fund, any balance with the fund at year end is presented as 75% restricted and 25% unassigned. This split in presentation most closely aligns the government's ability to access these funds with the proper fund balance classification. The total Constitutional Reserve Fund balance at June 30, 2013 was \$535,185,000, with \$401,389,000 presented as restricted fund balance and \$133,796,000 as unassigned fund balance.

The Tobacco Trust Fund's assigned fund balance classification reflects amounts that are constrained by the Fund's intent to be used for specific purposes. For purposes of assigned fund balance, the Fund's Board of Directors has authority to assign funds for specific purposes. Prior to 2012, the Board of Directors had determined that 10% of the unassigned fund balance would be designated as a reserve for future periods, should annual earnings prove insufficient to cover expenses. In November 2011, the Board of Directors chose to limit yearly expenditures of certified earnings to no more than 5% of the corpus of the Fund, with any unexpended certified earnings added to the reserve. For the fiscal year ended June 30, 2013, the assigned fund balance was \$60,952,000.

As explained in Note 1, *Summary of Significant Accounting Policies* section J, the General Fund inventory includes \$778,000 in food commodities which is also included in deferred revenue. Therefore, nonspendable fund balance for inventory/prepaid on the balance sheet is \$778,000 less than the total of inventory and prepaid items.

## **Note 13. Nonrecourse Debt and Debt Guarantees**

### **Nonrecourse (Conduit) Debt, Notes Receivable and Funds in Trust**

Financing agreements of Oklahoma Development Finance Authority (ODFA) and Oklahoma Housing Finance Agency (OHFA) are structured such that the debt is to be repaid solely from the revenues derived from the related facilities leased or acquired, or from the disposition of collateral. ODFA and OHFA do not hold notes receivable and trust investments in amounts equal to the long-term financings. As of September 30, 2012 OHFA had two series of multifamily bonds outstanding with an aggregate principal amount payable of approximately \$7,272,000. These financings are not general obligations of the State or state agencies, and it is the opinion of agency management and its legal counsel that, in the event of default by a borrower, the State has no responsibility for repayment of such financings. Accordingly, the nonrecourse debt and the related notes receivable and trust investments of ODFA and OHFA's multi family bond programs have been excluded from the financial statements. The debt and other obligations and the related notes receivable and other assets of OHFA's single family bonds are presented in the financial statements, since any assets remaining when the single family bond programs are liquidated are transferred to OHFA.

### **Credit Enhancement Reserve Fund**

Under the Constitution of the State of Oklahoma, ODFA may issue bonds of the State, to be known as Credit Enhancement Reserve Fund General Obligation Bonds, in a total principal amount of \$100,000,000 for the sole purpose of generating resources if there are insufficient assets to meet insurance obligations. The Fund is managed, administered, and utilized by ODFA solely to secure the payment of interest insurance on the revenue bonds and other financial obligations issued by the Authority for the specific purpose of enhancing and supporting the credit of such obligations. As of June 30, 2013, there were approximately \$46,000,000 of outstanding financial obligations insured by ODFA. At year end, the Fund has accrued a reserve for losses of approximately \$762,000 to cover potential losses from outstanding financial obligations insured by the Fund. Through June 30, 2013, there have been no Oklahoma Credit Enhancement Reserve Fund General Obligation Bonds issued since it is the intention of ODFA to utilize existing assets to meet obligations arising from losses reserved and accrued payments in lieu of interest by the Fund.

## **Note 14. Retirement and Pension Systems**

The State of Oklahoma has six Public Employee Retirement Systems (PERS) that administer pension plans; Oklahoma Firefighters Pension and Retirement System (OFPERS), Oklahoma Law Enforcement Retirement System (OLERS), Oklahoma Public Employees Retirement System (OPERS), Uniform Retirement System for Justices and Judges (URSJ), Oklahoma Police Pension and Retirement System (OPPRS), and the Teachers' Retirement System of Oklahoma (TRS). These plans are all fiduciary component units of the State. The Department of Wildlife Conservation administers the Wildlife Conservation Retirement Plan (WCRP), which is part of the Primary Government. The Oklahoma Housing Finance Authority, Department of Wildlife Conservation, and Teachers' Retirement System have defined contribution plans that are privately administered.

### **A. Primary Government**

#### **1. General Description of the Retirement System**

The WCRP is a single-employer, defined benefit retirement system administered by the Wildlife Conservation Commission for employees of the Department of Wildlife Conservation with a hire date prior to July 1, 2010. The WCRP provides retirement, disability and death benefits to plan members and their beneficiaries. The WCRP was established by statute; however, benefit provisions are established and amended by the Wildlife Conservation Commission. Cost-of-living adjustments are provided to members at the discretion of the Wildlife Conservation Commission.

The WCRP is included in the separately issued audit report of the Department of Wildlife Conservation. This report may be obtained from the Department of Wildlife Conservation, 1801 N. Lincoln, Oklahoma City, OK 73105.

#### **2. Funding Policy**

The WCRP required contribution is determined by the Wildlife Conservation Commission and is based on actuarial calculations.

The WCRP receives contributions from each member based on their annual covered salary. The contribution requirements are established and amended by the Wildlife Conservation Commission. For fiscal year 2013, the employee contribution rate was 5%. The Department of Wildlife Conservation is required to contribute at an actuarially determined rate. The required contribution for the year ended June 30, 2013 was \$4,267,000.

#### **3. Annual Pension Cost and Net Pension Obligation**

The current year annual pension cost and net pension obligation for the WCRP was as follows (expressed in thousands):

	<u>WCRP</u>
Annual required contribution	\$ 4,267
Interest on net pension obligation	77
Adjustment to annual required contribution	(134)
Annual pension cost	4,210
Contributions made	(4,100)
Increase (decrease) in net pension obligation	110
Net pension obligation-beginning of year	1,102
Net pension obligation-end of year	<u><u>\$ 1,212</u></u>
Actuarial Assumptions:	
Investment rate of return	7.0%
Annual salary increase	4.5 - 7.0%
COLA increase	0.0%
Inflation Rate	3.5%
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	10 years

The annual required contribution for the WCRP for the current year was determined as part of the July 1, 2013 actuarial valuation. Actual contributions equaled 96% of required contributions and 97% of annual pension costs for fiscal year 2013. The actuarial value of assets is set equal to the market value of assets.

**Three-Year Trend Information**  
**Wildlife Conservation Retirement Plan**  
 (expressed in thousands)

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
6/30/2013	\$ 4,210	97%	\$ 1,212
6/30/2012	3,726	110%	1,102
6/30/2011	3,102	102%	1,476

The following Required Supplementary Information for the WCRP was determined as part of the actuarial valuations at the dates indicated.

**Schedule of Funding Progress**  
**Wildlife Conservation Retirement Plan**  
 (unaudited)  
 (expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2013	\$ 81,345	\$ 104,810	\$ 23,465	77.6%	\$ 14,300	164.1%
7/1/2012	76,865	101,054	24,189	76.1%	14,662	165.0%
7/1/2011	74,450	95,341	20,891	78.1%	14,633	142.8%

## B. Component Units

### 1. General Description of the Retirement Systems

The Oklahoma Firefighters Pension and Retirement System (OFPRS), Oklahoma Public Employees Retirement System (OPERS), Oklahoma Police Pension and Retirement System (OPPRS), and the Teachers' Retirement System of Oklahoma (TRS) are all cost-sharing, multi-employer defined benefit retirement systems. The Uniform Retirement System for Justices and Judges (URSJ) and the Oklahoma Law Enforcement Retirement System (OLERS) are single-employer, defined benefit retirement systems. Pension benefit provisions for all plans were established by statute and benefit provisions are amended by the State Legislature. Each plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Cost-of-living adjustments are provided to plan members at the discretion of the State Legislature.

Separately issued independent audit reports for each pension plan may be obtained from the following:

Firefighters Pension and Retirement  
4545 N. Lincoln Boulevard, Suite 265  
Oklahoma City, OK 73105-3414

Law Enforcement Retirement  
421 N.W. 13th Street, Suite 100  
Oklahoma City, OK 73103-3701

Police Pension and Retirement  
1001 N.W. 63rd Street, Suite 305  
Oklahoma City, OK 73116-7335

Public Employees Retirement  
P.O. Box 53007  
Oklahoma City, OK 73152-3007

Uniform Retirement System for Judges and Justices  
P.O. Box 53007  
Oklahoma City, OK 73152-3007

Teachers' Retirement System  
2500 N. Lincoln Boulevard, 5th Floor  
Oklahoma City, OK 73105-4209

The number of participating employers in cost-sharing multiple employer plans is as follows:

OFPRS	OPERS	OPPRS	TRS
605	283	135	609

During fiscal year 2013, the TRS's unfunded liability decreased from \$8,398,000,000 to \$8,112,000,000. This decrease is primarily due to a liability gain resulting from member payroll increasing less than expected and continued investment gains greater than the 8% annual investment return assumption. Based on the current contribution schedule, assuming no actuarial gains or losses in the future, the unfunded liability is expected to decrease through June 30, 2030.

## **2. Funding Policy**

The contribution requirements for the six PERS are an established rate determined by the State Legislature each year and are not based on actuarial calculations. During the current year and the two years prior, 100% of required contributions were made into each PERS.

OFPRS receives contributions from participating full-time firefighters equal to 8% of applicable earnings, while member cities contribute 13% of the member's applicable earnings. In addition, the member cities contribute \$60 for each volunteer firefighter unless their income in the General Fund is less than \$25,000, in which case they are exempt. The State of Oklahoma's total allocation to the Plan during 2013 was \$76,311,000, which represented the 34% insurance premium tax allocation. Insurance premium contributions to the plan for the years ended June 30, 2013, 2012, and 2011, totaled \$76,311,000, \$68,246,000, and \$60,000,000, respectively.

OLERS receives contributions from State agencies and members of 11% and 8%, respectively, of the actual paid base salary of each member. OLERS also receives other State contributions of 1.2% of all fees, taxes, and penalties collected by motor license agents after approximately the first 5%, and 5% of the insurance premium taxes collected by the Insurance Commissioner as required by statute. The other State contributions to the plan for years ended June 30, 2013, 2012, and 2011 totaled \$19,807,000, \$18,836,000, and \$16,965,000, respectively.

OPERS receives contributions from each member based on their gross salary earned, excluding overtime. There is no cap on qualifying gross salary earned, subject to Internal Revenue Service limitations on compensation.

State, County, and Local Agency Employees - The following contribution rates were in effect during fiscal year 2013:

State employees and agencies – State employees contribute 3.5% on all salary. State agency employers contribute 16.5% of total salary.

Participating county and local agencies – Employees contribute a minimum of 3.5% up to a maximum of 8.5% of salary. Employers contribute a minimum of 11.5% up to a maximum of 16.5%. Combined employee and employer contributions equal 20% of total salary.

Elected Officials - Elected officials' employee contributions are based on the maximum compensation levels set for all members and the participating employers are required to contribute on the elected officials' covered salary using the same percentage and limits as applicable for State agencies. Members elected prior to November 1, 2011 must select an employee contribution rate of 4.5%, 6.0%, 7.5%, 8.5%, 9.0%, or 10.0%. Members elected between November 1, 2010 and October 31, 2011 may only select an employee contribution rate of either 4.5% or 10%. Members elected on or after November 1, 2011 have a contribution rate of 3.5%.

Hazardous Duty Members – Hazardous Duty Members contribute 8% of total salary. Employers contribute 16.5% of total salary.

State agency employer contributions to OPERS for the years ended June 30, 2013, 2012, and 2011 were \$217,570,000, \$212,647,000, and \$204,212,000, respectively.

URSJJ member contributions for fiscal year 2013 were 8% of members' monthly salary. State statutes require participating court employers to contribute monthly a percentage of the gross salaries of active members. Effective for the fiscal year ended June 30, 2009, the employer contribution rate increased to 7.0% of payroll and will increase 1.5% annually up to 22% for the fiscal years ending June 30, 2019, and thereafter. For fiscal year ended June 30, 2013, the effective employer contribution rate was 13%. State employer contributions to URSJJ for the year ended June 30, 2013, 2012, and 2011 were \$4,129,000, \$3,620,000, and \$3,193,000, respectively.

Oklahoma Police Pension and Retirement System (OPPRS) receives contributions from each participating municipality and each participant. Until July 1, 1991, each municipality contributed 10% of the actual base salary of each participant employed by the municipality. As of July 1, 1991, municipality contributions increased by 0.5% per year and continued until July 1, 1996, when the contribution level reached 13%, where it remains. Each participant of OPPRS contributes 8% of actual paid base salary. In addition, the State allocates a portion of the insurance premium taxes collected from insurance companies on various types of insurance policies as required by statute. Insurance premium contributions to the plan for the years ended June 30, 2013, 2012, and 2011 totaled \$31,412,000, \$28,092,000, and \$24,645,000, respectively.

TRS receives contributions from participating members and employers. All active members contribute to the system; however, the employer may elect to make all or part of the contribution for its employees. All members must contribute 7% of regular annual compensation, not to exceed the members' maximum compensation. For members other than those employed by a comprehensive university on or before June 30, 1995, the maximum compensation level will be the member's regular annual compensation. Beginning July 1, 2008 members employed by a comprehensive university will have the full amount of regular compensation considered, subject to contribution limits established under the Internal Revenue code.

Employers are required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate is 9.5% for all remitting entities other than comprehensive and four year universities. The employer contribution rate for comprehensive and four year universities is 8.55%. Oklahoma Statutes require the State to contribute 4.5% of the State's sales, income and use tax. Amended statutes increased this contribution rate to 5% at July 1, 2007. In addition, the system receives 1% of the cigarette taxes collected by the State and receives 5% of net lottery proceeds collected by the State. TRS received contributions of approximately \$300,510,000 from this source for fiscal year 2013. State contributions on behalf of employees totaled approximately \$36,366,000 for fiscal year 2013. State employer contributions to TRS for the years ended June 30, 2013, 2012, and 2011 were \$6,514,000, \$5,805,000, and \$6,583,000, respectively.

### **3. Annual Pension Cost and Net Pension Obligation**

The State's annual pension cost and net pension obligation (excess funding is represented as negative amounts) for the current year were as follows (expressed in thousands):

	OLERS	URSJJ
Annual required contribution	\$ 44,734	\$ 7,385
Interest on net pension obligation	6,000	1,602
Adjustment to annual required contribution	<u>(12,095)</u>	<u>(1,842)</u>
Annual pension cost	38,639	7,145
Contributions made	<u>(28,104)</u>	<u>(4,129)</u>
Increase (decrease) in net pension obligation	10,535	3,016
Net pension obligation-beginning of year	79,995	21,353
Net pension obligation-end of year	<u>\$ 90,530</u>	<u>\$ 24,369</u>
Actuarial Assumptions:		
Investment rate of return	7.5%	7.5%
Annual salary increase	3.75% to 7.8%	5.25%
COLA increase	3.0%	0%
Inflation rate	3.0%	3.0%
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar, closed	Level % of payroll, closed
Remaining amortization period	8 years	14 years

The annual required contribution for URSJJ for the current year was determined as part of the July 1, 2012 actuarial valuation. For the period July 1, 1994, through July 1, 1999, the aggregate actuarial cost method was used to determine cost. Effective July 1, 2000, URSJJ adopted the entry age normal method for determining cost. Contributions equaled 56% of the annual required contributions for the current year.

The annual required contribution for OLERS for the current year was determined as part of the July 1, 2012 actuarial valuation. Costs were prepared using the entry age normal method for all valuation dates except July 1, 1997, when the unfunded actuarial liability was negative and the actuarial cost method was changed to the aggregate cost method. The entry age normal method was used for all valuations subsequent to the 1997 valuation, including the current year. Contributions equaled 63% of the annual required contributions for the current year.

For actuarial purposes, assets are determined equal to the prior year's actuarial value of assets plus cash flow (excluding realized and unrealized gains or losses) for the year ended on the valuation date, assuming a 7.5% rate of return for URSJJ and 7.5% rate of return for OLERS. Prior years' unrecognized gains and losses are added to this amount to develop expected actuarial value. The expected actuarial value is then compared to the market value of the assets at the valuation date, and 20% of any gain (loss) for the last five years is added to the expected actuarial value. The gain (loss) is amortized over five years with the actuarial value of the assets being constrained to a range of 80% to 120% of the market value at the valuation date.

#### Three-Year Trend Information

(expressed in thousands)

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
Oklahoma Law Enforcement Retirement System	6/30/2013	\$ 38,639	73%	\$ 90,530
	6/30/2012	44,602	59%	79,995
	6/30/2011	47,925	51%	61,539
Uniform Retirement System for Justices and Judges	6/30/2013	7,145	58%	24,369
	6/30/2012	7,287	50%	21,353
	6/30/2011	12,501	26%	17,686

The following Required Supplementary Information for OLERS and URSJJ was determined as part of the actuarial valuations at the dates indicated.

#### Schedules of Funding Progress

##### Oklahoma Law Enforcement Retirement System

(unaudited)

(expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2013	\$ 725,124	\$ 890,555	\$ 165,431	81.4%	\$ 73,423	225.3%
7/1/2012	688,411	878,537	190,125	78.4%	71,598	265.5%
7/1/2011	684,063	900,879	216,816	75.9%	70,967	305.5%

**Uniform Retirement System for Judges and Justices**  
 (unaudited)  
 (expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2013	\$ 247,531	\$ 254,409	\$ 6,878	97.3%	\$ 34,325	20.0%
7/1/2012	238,554	249,379	10,825	95.7%	33,337	32.5%
7/1/2011	237,627	246,792	9,165	96.3%	34,701	26.4%

#### **4. Other Retirement Systems**

The Department of Wildlife Conservation's defined contribution plan is a single-employer plan that covers the employees of the Department of Wildlife Conservation with a hire date of July 1, 2010, or later. The defined contribution plan provides retirement benefits to plan members and their beneficiaries. Plan members are required to contribute 5% of compensation annually. The employer's annual contribution ranges from 6% to 12% and is based on the employee's number of completed years of credited service with the Department of Wildlife Conservation.

The Oklahoma Housing Finance Agency (OHFA), a Component Unit of the State, contributes to the Oklahoma Housing Finance Agency Retirement Plan, which is a defined contribution plan. Under its provisions, all new employees are required to participate in the Oklahoma Public Employees Retirement System (OPERS), and are not eligible to join the OHFA plan after June 30, 1997. OHFA's contribution amount is at the discretion of the Board of Trustees and does not have any limitations. The current contribution rate is 16.5% of eligible employees' compensation. Plan provisions were established and may be amended by the Board of Trustees.

In addition to the TRS, various institutions in the Higher Education Component Unit participate in other pension plans, primarily the Teachers Insurance and Annuity Association. These plans are defined contribution plans. Contributions made by participating institutions are based on a percentage of payrolls for qualified employees as determined by each institution's contract. For those institutions providing these plans, the total covered payroll was \$861,801,000. The institution contributions were \$78,106,000 or 9.1% of covered payroll. Employees are not required to contribute to the plans.

Several institutions in the Higher Education Component Unit also sponsor supplemental retirement annuities to guarantee eligible retirees a minimum level of benefits from other retirement sources. New employees are not eligible to participate in these plans. These annuities operate as defined benefit plans. Funding varies among institutions, with some funding based on actuarial calculations and others on a pay-as-you-go basis. Employees are not required to contribute to these plans.

### **Note 15. Other Postemployment Benefits (OPEB)**

#### **1. General Description of the Other Postemployment Benefits**

The Employees Group Insurance Division (EGID), a division of the Office of Management and Enterprise Services (OMES) manages a legal trust which provides group health, life, dental and disability benefits for active employees and retirees (should they so elect) of state agencies, school districts and other governmental units. EGID, as a multi-line insurance provider, receives OPEB payments on behalf of retiree's from several of the State's pension plans and the Department of Wildlife.

The Department of Wildlife Conservation, part of the Primary Government, at its expense, provides a health insurance allowance (OPEB) to retirees for the payment of health insurance premiums at retirement where the retiree elects

continued coverage through EGID. This allowance is reduced when the retiree is eligible for Medicare. The coverage amount is established by the Department on an annual basis and can be discontinued at the Board's discretion.

As mandated by statute, several of the State's pension plans provide an OPEB benefit to retirees should a retiree make such an election at retirement to continue health coverage through the State's provider, EGID. This contribution is for a fixed, limited amount that varies slightly from pension to pension. This benefit is included in the pension systems' actuarial valuations to determine both funded and unfunded liabilities, but is not considered material to each respective pension as a whole.

## 2. Funding Policy

The Employees Group Insurance Division, operates as an insurance company and as an access provider to other health and dental plans, primarily board approved health maintenance organizations (HMOs) and dental maintenance organizations (DMOs). EGID receives monthly premium contributions directly from retirees except for the nominal amount received from the participating pension plans and the Department of Wildlife Conservation. Employers make no contribution on a retiree's behalf, and have no liability to EGID once an employee enters retirement.

The State has one department of the Primary Government that makes payments to EGID on behalf of retirees, the Department of Wildlife Conservation. The Department provides \$150 per month as established by its board toward health insurance coverage should retirees so elect at retirement. These contributions are made on a pay-as-you go basis, and no separate account has been established to pre-fund these costs. For the fiscal years 2013, 2012, and 2011 the department paid into EGID as follows, representing 100% of the Department's board mandated contributions to EGID:

	FY 2013 Contributions	FY 2012 Contributions	FY 2011 Contributions
<b>Primary Government</b>			
Dept. of Wildlife Conservation	\$ 187,000	\$ 159,000	\$ 131,000

The State has two cost-sharing multi-employer retirement systems that make payments to EGID on behalf of retirees should a retiree so elect. These plans are the Oklahoma Public Employees Retirement System (OPERS) and the Teachers' Retirement System of Oklahoma (TRS). The State also has two single employer retirement systems that make payments to EGID on behalf of retirees, the Uniform Retirement System for Judges and Justices (URSJ) and the Oklahoma Law Enforcement Retirement System (OLERS). As mandated by statute, these plans pay between \$100 and \$105 per month to EGID on behalf of retirees if so elected. For fiscal years 2013, 2012, and 2011 the retirement systems paid into EGID as follows, representing 100% of the State's legislatively required contributions to EGID:

	FY 2013 Contributions	FY 2012 Contributions	FY 2011 Contributions
<b>Fiduciary Component Units</b>			
OPERS (a)	\$ 18,721,000	\$ 18,707,000	\$ 18,551,000
TRS (a)	27,314,000	29,607,000	29,405,000
URSJ (b)	164,000	170,000	161,000
OLERS (b)	814,000	810,000	818,000
	<u>\$ 47,013,000</u>	<u>\$ 49,294,000</u>	<u>\$ 48,935,000</u>

(a) - Cost Sharing Multi-Employer Retirement Plan

(b) - Single Employer Retirement Plan

## Component Units

Twenty-two of the institutions included in the Higher Education Component Unit sponsor single-employer OPEB plans as designated by each institution's governing Board of Regents. These independent trust plans primarily provide supplemental health, dental, and life insurance benefits to participating retirees. Eligibility requirements and benefits differ

significantly between the participating higher education institutions. Current year benefit expenditures, funded primarily on a pay-as-you-go basis, totaled approximately \$11,085,000 in fiscal year 2013 for the twenty-two participating institutions. Complete disclosure for each higher education institution can be obtained from the Oklahoma State Regents for Higher Education, 655 Research Parkway, Suite 200, Oklahoma City, OK 73104.

### 3. Annual Pension Cost and Net OPEB Obligation

The Department of Wildlife Conservation's annual OPEB cost is calculated based on its annual required contribution (ARC), an actuarially determined amount in accordance with GAAP. It represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability over a period of 30 years. The annual OPEB cost and net OPEB obligation for the current year was as follows (expressed in thousands):

	Wildlife OPEB
Normal cost	\$ 75
Amortization of actuarial accrued liability (AAL)	253
Annual required contribution (ARC)	<u>328</u>
Interest on net OPEB obligation	10
ARC adjustment	<u>(14)</u>
Annual OPEB cost	324
Actual amount of net employer disbursements	<u>(187)</u>
Increase in net OPEB obligation	137
Net OPEB obligation, beginning of year	251
Net OPEB obligation, end of year	<u><u>\$ 388</u></u>
Actuarial Assumptions:	
Investment rate of return	4.0%
Inflation rate	0.0%
Annual healthcare cost	5.0%
Actuarial cost method	Entry age normal
Amortization method	30 years, level dollar, open period

The Department's annual OPEB cost, the percentage of annual OPEB cost contributed to the substantive OPEB plan, and the net OPEB obligation were as follows:

#### Three-Year Trend Information Wildlife Conservation OPEB Substantive Plan (expressed in thousands)

Fiscal Year Ending	Annual OPEB Cost	Percent of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$ 324	58%	\$ 388
6/30/2012	213	75%	251
6/30/2011	212	62%	198

The following Required Supplementary Information for the Department of Wildlife Conservation was determined as part of the actuarial valuation for the dates indicated.

**Schedule of Funding Progress**  
**Wildlife Conservation OPEB Substantive Plan**  
 (unaudited)  
 (expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2013	\$ -	\$ 4,621	\$ 4,621	0.0%	\$ 15,580	29.7%
7/1/2012	-	4,457	4,457	0.0%	15,272	29.2%
7/1/2011	-	2,953	2,953	0.0%	14,873	19.9%

The Department's OPEB is not funded and there are no OPEB plan assets as it is a substantive plan. As of July 1, 2013, the most recent actuarial valuation date, the AAL for benefits was approximately \$4.6 million and the actuarial value of assets was zero, resulting in an UAAL of \$4.6 million.

The actuarial valuation for this substantive plan (the plan as currently understood by the employer and the plan members), involves estimates of the value of reported amounts and assumptions about the probability of events occurring far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Projections include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods used are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with a long-term perspective.

## **Note 16. On-Behalf Payments**

The Teacher's Retirement System (TRS) of Oklahoma receives 5% of the State's sales, use, corporate and individual income taxes collected as dedicated tax. Senate Bill 1376, which became law in July 2002, provides that the percentage of the State's collected dedicated taxes allocated to the TRS increased from 4.5% to 5.0% on July 1, 2007 and thereafter. The System receives 1% of the cigarette taxes collected by the State and receives 5% of the net lottery proceeds collected by the State. The System received approximately \$301,000,000 from the State for the year ended June 30, 2013.

The Firefighters Pension and Retirement System (OFPRS) of Oklahoma received 34% of the State's insurance premium tax revenue. OFPRS received approximately \$76,000,000 from the State for the year ended June 30, 2013. Of the same insurance premium tax revenue, the Police Pension and Retirement System (OPPRS) of Oklahoma and Law Enforcement Retirement System (OLERS) received 14% and 5% respectively. OPPRS and OLERS received approximately \$31,000,000 and \$11,000,000 from the State for the year ended June 30, 2013 respectively.

## **Note 17. Commitments**

### **Primary Government**

For the year ended June 30, 2013, the General Fund had encumbrances of \$328,045,000 within the restricted and committed fund balances of the governmental funds.

The Department of Transportation had contractual commitments at June 30, 2013, of approximately \$920,347,000 for the construction of various highway projects. Future appropriations will fund these commitments as work is performed.

The Department of Human Services (DHS) maintains a construction unit which engages in capital improvements of state buildings. At year end, DHS had long-term projects totaling \$35,459,000 for the General Fund.

## **Component Units**

The University of Oklahoma had outstanding commitments under construction contracts totaling \$52,126,000 at June 30, 2013.

Oklahoma State University had outstanding commitments under construction contracts of approximately \$6,069,000 at June 30, 2013.

The Oklahoma Turnpike Authority (OTA) had commitments outstanding at December 31, 2012, relating to equipment orders and supplies of approximately \$4,940,000. At December 31, 2012, OTA had commitments outstanding relating to construction and maintenance contracts of approximately \$93,369,000.

The Oklahoma Municipal Power Authority (OMPA) purchased approximately \$21,018,000 of power pursuant to several long-term purchase agreements during 2012. OMPA is obligated to purchase, at a minimum, approximately \$19,976,000 of power in 2013.

The Grand River Dam Authority (Authority) makes and receives commitments for purchases of coal and other materials. The Authority had contractual commitments at December 31, 2012 for long-term coal and freight purchases under contracts through 2020 with estimated minimum obligations for the next fiscal year ending December 31, 2013 of \$107,290,000, and total obligations of \$1,196,503,000 through 2020.

## **Note 18. Litigation and Contingencies**

The State and its component units are parties to numerous legal proceedings, many of which normally occur in governmental operations. Such litigation includes, but is not limited to, claims assessed against the State for property damage and personal injury, alleged breaches of contract, condemnation proceedings, and other alleged violations of state and federal laws. Certain claims have been adjudicated against the State, but remained unpaid as of June 30, 2013.

The State receives significant financial assistance from the Federal Government in the form of grants and entitlements, which are generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by federal agencies. Any disallowance as a result of these audits could become a liability of the State. As of June 30, 2013, the State is unable to estimate what liabilities may result from such audits.

## **Primary Government**

Through the normal course of operations there are many legal cases which involve the State as a party. Most of these cases are currently deemed to have a remote chance of loss or will result in a gain to the State. The assessment of several cases indicates there is the reasonably possible or probable chance of a loss occurring to the State. Current estimates for these losses range from \$2,000,000 to \$4,800,000.

The Department of Transportation (DOT) has incurred significant expenditures on construction projects that have exceeded the amounts approved by the federal grantor. These project expenditures are held in suspense until approved by the federal grantor and subsequently reimbursed. Based on prior years' experience, the reimbursement of expenditures is highly probable. At June 30, 2013, DOT had project expenditures totaling \$952,000 that will be reimbursed pending approval of the Federal Government.

## **Component Units**

The Oklahoma Capital Investment Board (OCIB), as a public trust of the State of Oklahoma, has authority to transfer tax credits to public entities. Tax credits can be transferred by OCIB in conjunction with a legitimate call on an OCIB guarantee. As of June 30, 2013, OCIB had a maximum commitment line of credit of \$30,000,000. As of June 30, 2013,

the line of credit had an outstanding balance of \$17,897,000. All of the outstanding balance is classified as long-term debt. In addition to the debt, OCIB reported June 30, 2013 net position deficit of \$3,083,000.

The credits and OCIB's right to transfer the credits expire if not utilized by June 30, 2020. As of June 30, 2013, \$30,915,000 of tax credits had been transferred. Four entities currently have signed agreements to purchase up to an aggregate of \$8,000,000 of tax credits per year at the sole discretion of OCIB. OCIB has the authority to issue up to \$20,000,000 of tax credits per year with an overall maximum of \$100,000,000. The remaining \$69,085,000 of tax credits were not considered impaired at June 30, 2013, as there was sufficient time remaining for the tax credits to be utilized before they expire.

## **Note 19. Subsequent Events**

### **Component Units**

Board of Regents has authorized but not issued general revenue bonds totaling \$122,890,000 to refund outstanding tax-exempt issues. Board of Regents has authorized but not issued general revenue bonds totaling \$260,500,000 for the Master Real Property Lease Program and authorized but not issued bonds totaling \$89,080,000 for capital projects.

Oklahoma Capital Improvement Authority has authorized but not issued lease revenue bonds totaling \$325,000,000 to refund outstanding tax-exempt issues.

Oklahoma Development Finance Authority (ODFA) has authorized but not issued bonds totaling \$350,000,000 for the Master Real Property Lease Program and has authorized but not issued bonds totaling \$100,000,000 for the Master Equipment Lease Program. ODFA has authorized but not issued bonds totaling \$7,000,000 for the Community Development Pooled Finance Act.

Oklahoma Housing Finance Authority has authorized but not issued bonds totaling \$61,294,000 for capital projects.

Oklahoma Water Resources Board has authorized but not issued bonds totaling \$82,375,000 for capital projects.

OU Health Sciences Center on September 26, 2013, closed on the sale of \$64,000,000 in general obligation taxable bonds (Series 2013A). The proceeds of the bonds were used on October 1, 2013 to acquire, for \$85,000,000, real property which includes the Presbyterian Health Foundation Research Park (Research Park). A cash contribution from the Center was also used in the purchase of the Research Park. The property is in close proximity to the Center and includes more than 700,000 square feet of modern biomedical research lab and office space.

Oklahoma Municipal Power Authority (OMPA) on January 3, 2013 issued \$132,920,000 of Series 2013A Power Supply System Revenue Bonds. The proceeds are being used for the construction of the Charles D. Lamb Energy Center and other capital projects. As stated in Note 1, OMPA reports on a calendar year basis. As a result, this debt is not included in the schedules found in Note 11. OMPA has also authorized but not issued bonds totaling \$39,565,000 for capital projects.



Supreme Court Chamber



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## Required Supplementary Information and Budget Schedule

## **Required Supplementary Information and Budget Schedule**

State of Oklahoma  
 Budgetary Comparison Schedule  
 Budget to Actual (Non-GAAP Budgetary Basis)  
 General Fund  
 For the Fiscal Year Ended June 30, 2013  
 (expressed in thousands)

GENERAL FUND					
BUDGET					
	ORIGINAL	Amendments	FINAL	ACTUAL	VARIANCE
<b>EDUCATION</b>					
<b>State Arts Council</b>					
01 Duties	4,010	-	4,010	2,170	1,840
11 FY-12 Carryover	-	316	316	316	-
Agency Total	<u>4,010</u>	<u>316</u>	<u>4,326</u>	<u>2,486</u>	<u>1,840</u>
<b>Department of Career and Technology Education</b>					
08 Duties	131,549	-	131,549	120,527	11,022
18 FY-12 Carryover	-	11,212	11,212	10,430	782
Agency Total	<u>131,549</u>	<u>11,212</u>	<u>142,761</u>	<u>130,957</u>	<u>11,804</u>
<b>Department of Education</b>					
01 Financial support of Public Schools	1,007,314	-	1,007,314	1,007,314	-
01 Financial support of Public Schools (Min Lea)	3,800	-	3,800	3,792	8
04 Financial Support of Public Schools	1,463	-	1,463	-	1,463
04 Financial support of Public Schools (Min Lea)	577	-	577	577	-
04 Certified Employee Health Benefit Allowance	226,843	-	226,843	226,843	-
05 Support Personnel Health Benefit Allowance	117,321	-	117,321	117,321	-
06 National Board Certification Bonuses - teachers	11,695	-	11,695	11,695	-
07 National Board Certification Bonuses - psych	3,247	-	3,247	3,247	-
08 Alternative Education	14,877	-	14,877	14,877	-
09 Implementing Social Promotion and A-F Schools	6,953	-	6,953	6,953	-
10 SoonerStart Early Intervention Services	14,418	-	14,418	14,418	-
11 Early Childhood Program (EduCare, 70-10-105.4)	10,000	-	10,000	10,000	-
12 School Lunch Matching and School Lunch Programs	4,960	-	4,960	2,670	2,290
13 Teacher Retirement Credit (70-17-108.2)	35,311	-	35,311	35,311	-
02 Public School Activities	7,926	-	7,926	7,926	-
14 Public School Activities	3,000	-	3,000	1,858	1,142
03 Administrative and Support Functions	21,427	-	21,427	16,882	4,545
15 Textbooks	30,000	-	30,000	30,000	-
16 Textbooks	3,000	-	3,000	-	3,000
07 For Ad Valorem Reimbursement	-	8,448	8,448	8,448	-
05 For Certified Employee Health Benefit	-	5,602	5,602	53	5,549
06 For Support Personnel Health Benefit	-	2,898	2,898	-	2,898
11 FY-12 Carryover	-	223	223	-	223
12 FY-12 Carryover	-	1,506	1,506	283	1,223
13 FY-12 Carryover	-	4,336	4,336	324	4,012
Agency Total	<u>1,524,132</u>	<u>23,013</u>	<u>1,547,145</u>	<u>1,520,793</u>	<u>26,352</u>

GENERAL FUND					
BUDGET					
	ORIGINAL	Amendments	FINAL	ACTUAL	VARIANCE
<b>Commission of the Land Office</b>					
01 Duties	16,000	-	16,000	3,419	12,581
11 FY-12 Carryover	-	2,911	2,911	2,740	171
Agency Total	16,000	2,911	18,911	6,159	12,752

#### Department of Libraries

01 Duties	5,899	-	5,899	5,606	293
11 FY-12 Carryover	-	232	232	118	114
Agency Total	5,899	232	6,131	5,724	407

#### Center for Advancement of Science and Technology

01 Duties	17,811	-	17,811	17,737	74
11 FY-12 Carryover	-	161	161	159	2
Agency Total	17,811	161	17,972	17,896	76

#### Physician Manpower Training Commission

01 Duties	3,979	-	3,979	3,955	24
03 Duties	400	-	400	400	-
11 FY-12 Carryover	-	52	52	52	-
Agency Total	4,379	52	4,431	4,407	24

#### Oklahoma School of Science and Math

01 Duties	6,332	-	6,332	5,834	498
11 FY-12 Carryover	-	214	214	214	-
12 FY-12 Carryover	-	4	4	-	4
Agency Total	6,332	218	6,550	6,048	502

#### Oklahoma Commission for Teacher Preparation

01 Duties	1,526	-	1,526	208	1,318
11 FY-12 Carryover	-	741	741	741	-
Agency Total	1,526	741	2,267	949	1,318

#### Education Total

1,711,638	38,856	1,750,494	1,695,419	55,076
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### GENERAL GOVERNMENT

#### State Auditor and Inspector

01 Duties	4,400	-	4,400	4,286	114
02 County Govt Personnel Educ & Trng	307	-	307	256	51
11 FY-12 Carryover	-	52	52	52	-
Agency Total	4,707	52	4,759	4,594	165

#### State Bond Advisor

01 Duties	143	-	143	143	-
Agency Total	143	-	143	143	-

GENERAL FUND					
BUDGET					
ORIGINAL	Amendments	FINAL	ACTUAL	VARIANCE	

#### Department of Commerce

01 Duties	22,789	-	22,789	18,412	4,377
02 Duties - NACEA	6,784	-	6,784	5,990	794
11 FY-12 Carryover	-	2,600	2,600	2,096	504
12 FY-12 Carryover	-	800	800	800	-
Agency Total	29,573	3,400	32,973	27,298	5,675

#### State Election Board

01 Duties	4,506	-	4,506	3,467	1,039
03 Duties	3,300	-	3,300	2,437	863
21 FY-11 Carryover	-	232	232	232	-
12 FY-12 Carryover	-	10	10	10	-
11 FY-12 Carryover	-	570	570	570	-
Agency Total	7,806	812	8,618	6,716	1,902

#### Ethics Commissions

01 Duties	588	-	588	504	84
11 FY-12 Carryover	-	7	7	7	-
Agency Total	588	7	595	511	84

#### Office of Management and Enterprise Services

01 Duties	24,616	-	24,616	20,006	4,610
02 Duties	10,000	-	10,000	9,491	509
01 For transfer to Bldg & Fac Revolv ( Fund 245)	1,669	-	1,669	1,669	-
02 For transfer to Bldg & Fac Revolv ( Fund 245)	3,847	-	3,847	3,847	-
14 FY-11 Carryover	-	1,500	1,500	1,500	-
11 FY-12 Carryover	-	2,372	2,372	1,873	499
Agency Total	40,132	3,872	44,004	38,386	5,618

#### Governor

01 Duties	2,173	-	2,173	1,931	242
11 FY-12 Carryover	-	262	262	262	-
Agency Total	2,173	262	2,435	2,193	242

#### Lieutenant Governor

01 Duties	507	-	507	393	114
11 FY-12 Carryover	-	56	56	56	-
Agency Total	507	56	563	449	114

#### Merit Protection Commission

01 Duties	491	-	491	377	114
11 FY-12 Carryover	-	17	17	17	-
Agency Total	491	17	508	394	114

GENERAL FUND					
BUDGET					
ORIGINAL	Amendments	FINAL	ACTUAL	VARIANCE	

#### Tax Commission

30 Duties	46,916	-	46,916	43,226	3,690
Agency Total	46,916	-	46,916	43,226	3,690

#### State Treasurer

01 Duties	3,651	-	3,651	2,384	1,267
02 State Land Reimbursements	93	-	93	93	-
13 FY-12 Carryover	-	621	621	455	166
Agency Total	3,744	621	4,365	2,932	1,433

#### General Government Total

136,780	9,099	145,879	126,842	19,037
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#### HEALTH SERVICES

##### Department of Health

01 Duties	61,784	-	61,784	51,009	10,775
11 FY-12 Carryover	-	1,965	1,965	1,640	325
Agency Total	61,784	1,965	63,749	52,649	11,100

##### Mental Health and Substance Abuse

01 Duties	297,421	-	297,421	286,224	11,197
04 Duties	1,400	-	1,400	1,400	-
01 Duties	12,600	-	12,600	12,600	-
Agency Total	311,421	-	311,421	300,224	11,197

##### Health Services Total

373,205	1,965	375,170	352,873	22,297
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#### LEGAL AND JUDICIARY

##### Attorney General

01 Duties	14,323	-	14,323	11,285	3,038
02 For transfer to the Legal Services Rev Fund	905	-	905	905	-
11 FY-11 Carryover	-	7	7	7	-
Agency Total	15,228	7	15,235	12,197	3,038

##### Court of Criminal Appeals

01 Duties	3,485	-	3,485	3,394	91
Agency Total	3,485	-	3,485	3,394	91

##### District Attorney's Council

01 Duties (w / allowance to transfer \$419,014 to 22500)	34,187	-	34,187	33,854	333
11 FY-12 Carryover	-	274	274	274	-
Agency Total	34,187	274	34,461	34,128	333

GENERAL FUND					
BUDGET					
ORIGINAL	Amendments	FINAL	ACTUAL	VARIANCE	

#### District Courts

01 Duties - District Courts	8,600	-	8,600	8,472	128
11 FY-12 Carryover	-	932	932	932	-
Agency Total	8,600	932	9,532	9,404	128

#### Indigent Defense System

01 Duties	14,699	-	14,699	13,660	1,039
11 FY-12 Carryover	-	485	485	485	-
Agency Total	14,699	485	15,184	14,145	1,039

#### Supreme Court

01 Duties	17,337	-	17,337	14,821	2,516
12 FY-11 Carryover	-	916	916	916	-
11 FY-12 Carryover	-	1,122	1,122	874	248
Agency Total	17,337	2,038	19,375	16,611	2,764

#### Workers' Compensation Court

01 Duties	4,247	-	4,247	4,247	-
Agency Total	4,247	-	4,247	4,247	-

#### Legal and Judiciary Total

97,783	3,736	101,519	94,126	7,393
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#### MUSEUMS

##### Historical Society

01 Duties	12,503	-	12,503	12,078	425
Agency Total	12,503	-	12,503	12,078	425

##### J.M. Davis Memorial Commission

01 Duties	306	-	306	286	20
11 FY-12 Carryover	-	11	11	11	-
Agency Total	306	11	317	297	20

##### Will Rogers Memorial Commission

01 Duties	740	-	740	712	28
11 FY-12 Carryover	-	44	44	44	-
Agency Total	740	44	784	756	28

##### Museums Total

13,549	55	13,604	13,131	473
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GENERAL FUND					
BUDGET					
	ORIGINAL	Amendments	FINAL	ACTUAL	VARIANCE

## NATURAL RESOURCES

### Department of Agriculture

01 Duties	21,740	-	21,740	20,418	1,322
03 Duties	5,870	-	5,870	5,870	-
11 FY-11 Carryover	-	817	817	817	-
11 FY-12 Carryover	-	1,245	1,245	997	248
Agency Total	27,610	2,062	29,672	28,102	1,570

### Conservation Commission

01 Duties	10,062	-	10,062	8,945	1,117
Agency Total	10,062	-	10,062	8,945	1,117

### Department of Environmental Quality

01 Duties	7,558	-	7,558	7,521	37
Agency Total	7,558	-	7,558	7,521	37

### Scenic Rivers Commission

01 Duties	271	-	271	271	-
Agency Total	271	-	271	271	-

### Department of Tourism and Recreation

01 Duties	21,803	-	21,803	16,070	5,733
11 FY-12 Carryover	-	2,325	2,325	1,781	544
Agency Total	21,803	2,325	24,128	17,851	6,277

### Water Resources Board

01 Duties	7,000	-	7,000	5,505	1,495
11 FY-12 Carryover	-	268	268	268	-
Agency Total	7,000	268	7,268	5,773	1,495

### Natural Resources Total

74,304	4,655	78,959	68,463	10,496
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## PUBLIC SAFETY AND DEFENSE

### Alcohol Beverage Laws Enforcement

01 Duties	3,140	-	3,140	2,879	261
Agency Total	3,140	-	3,140	2,879	261

### State Bureau of Investigation

01 Duties	13,848	-	13,848	13,841	7
Agency Total	13,848	-	13,848	13,841	7

GENERAL FUND					
BUDGET					
ORIGINAL	Amendments	FINAL	ACTUAL	VARIANCE	

#### Department of Corrections

02 Duties	20,000	-	20,000	20,000	-
30 Duties	443,731	-	443,731	416,428	27,303
31 FY-12 Carryover	-	7,043	7,043	6,773	270
Agency Total	463,731	7,043	470,774	443,201	27,573

#### Council on Law Enforcement, Education, and Training

01 Duties	3,308	-	3,308	2,930	378
02 Duties	309	-	309	309	-
01 Duties	65	-	65	65	-
11 FY-12 Carryover	-	50	50	50	-
11 FY-12 Carryover	-	271	271	259	12
Agency Total	3,682	321	4,003	3,613	390

#### Department of Emergency Management

01 Duties	651	-	651	619	32
02 Oklahoma Mesonet	-	1,200	1,200	-	1,200
Agency Total	651	1,200	1,851	619	1,232

#### State Fire Marshal

01 Duties	1,797	-	1,797	1,757	40
Agency Total	1,797	-	1,797	1,757	40

#### Board of Medicolegal Investigations

01 Duties	7,198	-	7,198	5,600	1,598
11 FY-12 Carryover	-	107	107	107	-
Agency Total	7,198	107	7,305	5,707	1,598

#### Oklahoma Military Department

01 Duties	10,748	-	10,748	8,941	1,807
11 FY-12 Carryover	-	655	655	551	104
Agency Total	10,748	655	11,403	9,492	1,911

#### Bureau of Narcotics and Dangerous Drugs

01 Duties	3,616	-	3,616	3,616	-
Agency Total	3,616	-	3,616	3,616	-

#### Pardon and Parole Board

01 Duties	2,217	-	2,217	2,100	117
11 FY-12 Carryover	-	115	115	29	86
Agency Total	2,217	115	2,332	2,129	203

GENERAL FUND					
BUDGET					
ORIGINAL	Amendments	FINAL	ACTUAL	VARIANCE	

#### Department of Public Safety

01 Duties	89,895	-	89,895	84,703	5,192
17 Troop K Construction	-	1,200	1,200	77	1,123
Agency Total	89,895	1,200	91,095	84,780	6,315

#### Public Safety and Defense Total

600,523	10,641	611,164	571,634	39,530
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#### REGULATORY SERVICES

##### Commission on Consumer Credit

01 Duties	32	-	32	19	13
11 FY-12 Carryover	-	30	30	30	-
Agency Total	32	30	62	49	13

##### Corporation Commission

01 Duties	11,324	-	11,324	11,151	173
11 FY-12 Carryover	-	134	134	63	71
Agency Total	11,324	134	11,458	11,214	244

##### Oklahoma Horse Racing Commission

01 Duties	2,072	-	2,072	1,969	103
11 FY-12 Carryover	-	93	93	63	30
Agency Total	2,072	93	2,165	2,032	133

##### Insurance Department

01 Duties	1,872	-	1,872	1,872	-
Agency Total	1,872	-	1,872	1,872	-

##### Department of Labor

01 Duties	2,170	-	2,170	2,082	88
03 Duties	1,141	-	1,141	1,072	69
12 FY-12 Carryover	-	2	2	2	-
Agency Total	3,311	2	3,313	3,156	157

##### Department of Mines

01 Duties	779	-	779	752	27
11 FY-11 Carryover	-	8	8	8	-
Agency Total	779	8	787	760	27

#### Regulatory Services Total

19,390	267	19,657	19,083	574
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#### SOCIAL SERVICES

##### Commission on Children and Youth

10 Duties	2,027	-	2,027	1,725	302
11 FY-12 Carryover	-	267	267	267	-
Agency Total	2,027	267	2,294	1,992	302

GENERAL FUND					
BUDGET					
ORIGINAL	Amendments	FINAL	ACTUAL	VARIANCE	

#### Office of Disability Concerns

01 Duties	318	-	318	275	43
11 FY-12 Carryover	-	3	3	3	-
Agency Total	318	3	321	278	43

#### Health Care Authority

01 Duties (to Disbursing Funds 200 and 340)	833,733	-	833,733	833,733	-
01 Duties (to Disbursing Funds 200 and 340)	46,500	-	46,500	46,500	-
Agency Total	880,233	-	880,233	880,233	-

#### Department of Human Services

01 Duties (to Disbursing Funds)	566,574	-	566,574	566,574	-
06 Duties (to Disbursing Funds)	12,527	-	12,527	12,527	-
01 Duties (to Disbursing Funds)	7,172	-	7,172	7,172	-
04 Duties (to Disbursing Funds)	685	-	685	685	-
Agency Total	586,958	-	586,958	586,958	-

#### J.D. McCarty Center

10 Duties	3,740	-	3,740	3,275	465
11 FY-12 Carryover	-	317	317	317	-
Agency Total	3,740	317	4,057	3,592	465

#### Office of Juvenile Affairs

01 Duties	96,187	-	96,187	87,798	8,389
11 FY-12 Carryover	-	4,230	4,230	3,857	373
Agency Total	96,187	4,230	100,417	91,655	8,762

#### Department of Rehabilitation Services

01 Duties (to disbursing funds)	30,449	-	30,449	30,449	-
Agency Total	30,449	-	30,449	30,449	-

#### Department of Veterans Affairs

01 Duties	35,699	-	35,699	34,768	931
11 FY-12 Carryover	-	201	201	142	59
Agency Total	35,699	201	35,900	34,910	990

#### Social Services Total

1,635,611	5,018	1,640,629	1,630,066	10,563
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#### TRANSPORTATION

##### Oklahoma Space Industry Development Auth.

01 Duties to Space Industries Dev.	395	-	395	395	-
Agency Total	395	-	395	395	-

#### Transportation Total

395	-	395	395	-
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#### General Fund Total

\$ 4,663,178	\$ 74,292	\$ 4,737,470	\$ 4,572,033	\$ 165,438
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# Notes to Required Supplementary Information - Budgetary Reporting

## FOR THE FISCAL YEAR ENDED JUNE 30, 2013

The Budgetary Comparison Schedule - Budget to Actual (Non-GAAP Budgetary Basis) presents comparisons of the original and final legally adopted budget with actual data on a budgetary basis. The Schedule represents budgetary comparisons at the legal level of budgetary control (i.e. line item level). The schedule is prepared on a cash basis plus encumbrances where the expenditures are expected to be presented by November 15<sup>th</sup> in the following fiscal year. Certain appropriations are transferred to continuing funds for expenditure. Unexpended amounts may then be rebudgeted in subsequent fiscal years. These transfers are not included in the total expenditures on the Budgetary Comparison Schedule - Budget to Actual (Non-GAAP Budgetary Basis).

### Reconciliation of Budgetary Fund Balance to GAAP Fund Balance

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of resulting basis, perspective, and entity differences in the revenues in excess of (less than) expenditures and other financing sources (uses) between budgetary and GAAP presentations for the year ended June 30, 2013, is presented below (expressed in thousands) for the General Fund:

Budgetary Basis Fund Balance, June 30, 2012	\$ 721,140
Excess of total sources over total uses of financial resources (Budgetary Basis)	<u>829,918</u>
Budgetary Basis Fund Balance, June 30, 2013	1,551,058
Entity and Perspective Differences:	
Non-budgeted Funds and Capital Funds	2,103,596
Encumbrances	78,831
Basis Differences:	
Add: Net accrued revenues, related receivables, and deferred revenues	1,312,750
Less: Net accrued expenditures and related liabilities	<u>(1,241,086)</u>
GAAP Basis Fund Balance, June 30, 2013	<u><u>\$ 3,805,149</u></u>



Senate

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# Combining Financial Statements

# **Combining Financial Statements**

## FIDUCIARY FUNDS AND SIMILAR COMPONENT UNITS

Fiduciary Funds account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governmental organizations, and/or other funds.

### PENSION TRUST FUNDS

The Pension Trust Funds account for the transactions, assets, liabilities, and net position held in a trustee capacity for the benefit of the Plan members.

### WILDLIFE CONSERVATION RETIREMENT PLAN

This Plan is part of the Primary Government. The Plan accounts for transactions, assets, liabilities, and net position available for payment of plan benefits to employees of the Department of Wildlife Conservation.

The State of Oklahoma has six Public Employee Retirement Systems (PERS) that meet the definition of a component unit, but are presented with the fiduciary funds of the State:

#### OKLAHOMA FIREFIGHTERS PENSION AND RETIREMENT SYSTEM

4545 N. Lincoln Blvd., Suite 265, Oklahoma City, Oklahoma 73105  
The System provides retirement benefits for municipal firefighters in the State of Oklahoma.

#### OKLAHOMA LAW ENFORCEMENT RETIREMENT SYSTEM

421 NW 13<sup>th</sup> St., Suite 100, Oklahoma City, Oklahoma 73103  
The System provides retirement benefits for qualified law enforcement officers in the State of Oklahoma.

#### OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

P.O Box 53007, Oklahoma City, Oklahoma 73152  
The System administers the Oklahoma Public Employee Retirement Plan, which provides retirement benefits for state, county and local employees in the State of Oklahoma.

#### UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

P.O. Box 53007, Oklahoma City, Oklahoma 73152  
The System provides retirement benefits for justices and judges in the State of Oklahoma.

#### OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

1001 N.W. 63<sup>rd</sup> Street, Suite 305, Oklahoma City, Oklahoma 73116  
The System provides retirement benefits for police officers employed by participating municipalities in the State of Oklahoma.

#### TEACHER'S RETIREMENT SYSTEM OF OKLAHOMA

P.O. Box 53524, Oklahoma City, Oklahoma 73152  
The System provides retirement allowances and benefits for qualified persons employed by state-supported educational institutions in the State of Oklahoma.

### AGENCY FUNDS

Agency Funds account for the receipt and disbursement of various moneys and property collected by the State, acting in the capacity of an agent, for distribution to non-state parties.

**Taxes Held for Outside Entities** is maintained by the Oklahoma Tax Commission to account for taxes: (1) being held for distribution to county and city governments, (2) to cover anticipated tax refunds, (3) paid conditionally on an increase in gross value of oil and/or gas sold by a producer waiting on approval or settlement of an appeal, and (4) that have been intercepted by the Tax Commission to be disbursed to claimants.

**Funds Held in Escrow** are moneys held in an account until certain conditions or requirements are met. These include: (1) Cash Performance Bonds maintained by the Department of Mines until mining is complete and reclamation meets specifications, (2) Unlocated Mineral Owner's Fund maintained by the Corporation Commission (3) Workers' Compensation Claims Under Appeal maintained by the Workers' Compensation Court, (4) Unsettled Premium Tax Suits, an escrow account maintained by the Oklahoma Insurance Department for depositing of protested taxes and/or fees imposed under Oklahoma law, (5) Other moneys accounted for by the State Department of Health for bond requirements for disposal sites, by the Department of Public Safety for the retention and refund of financial responsibility security amounts and sign deposits for motor vehicle inspection stations, (6) Funds in escrow at the Attorney General's Office received as a result of litigation.

**Assets Held for Beneficiaries** are moneys maintained for: (1) clients in institutions under the jurisdiction of the Office of Juvenile Affairs (OJA), Department of Human Services (DHS), the Department of Corrections (DOC), the Department of Veterans Affairs, and the Department of Mental Health, (2) DHS custodial parents from the collection from absent parents, and (3) DHS clients placed in agency custody.

**Other** is moneys accounted for (1) by the Department of Human Capital Management for the Office of Management and Enterprise Services (OMES) for payment of employee claims against SoonerFlex flexible spending accounts, (2) deposits held by the Division of Capital Asset Management of OMES for bid process documents, (3) donations held by the District Attorney's Council for the Murrah Crime Victims Compensation Fund, (4) funds held by the Department of Transportation which had accrued to its former health insurance rate stabilization account and is being returned to the accounts contributors.

**State of Oklahoma**  
**Combining Statement of Fiduciary Net Position**  
**Pension Trust Funds (Including Similar Component Units)**  
**June 30, 2013**  
**(expressed in thousands)**

	Primary Government		Fiduciary Component Units						
	Wildlife Conservation Retirement Plan	Oklahoma Firefighters Pension and Retirement System	Oklahoma Law Enforcement Retirement System	Oklahoma Public Employees Retirement System	Uniform Retirement System for Justices and Judges	Oklahoma Police Pension and Retirement System	Teachers' Retirement System of Oklahoma	Total	
<b>Assets</b>									
Cash/Cash Equivalents	\$ 3,955	\$ 49,486	\$ 59,368	\$ 212,400	\$ 6,105	\$ 66,068	\$ 811,649	\$ 1,209,031	
Investments, at fair value									
Equity Securities	25,112	1,242,953	460,489	1,846,757	0	800,203	7,357,894	11,733,408	
Governmental Securities	25,836	306,654	50,695	1,652,922	60,591	12,994	1,174,142	3,283,834	
Debt Securities	6,986	28,781	145,679	827,529	28,106	360,353	1,657,819	3,055,253	
Mutual Funds	22,291	0	0	3,116,437	176,316	0	0	3,315,044	
Other Investments	0	250,913	75,445	0	0	725,525	942,719	1,994,602	
Securities Lending Investments	0	137,835	73,768	688,724	14,789	20,003	2,363,778	3,298,897	
Interest and Investment									
Revenue Receivable	0	2,684	854	14,031	330	3,348	39,448	60,695	
Contributions Receivable:									
Employer	0	1,244	690	14,361	332	1,734	26,082	44,443	
Employee	0	747	482	3,781	204	1,058	17,143	23,415	
Other Contributions Receivable	0	0	0	0	0	0	28,856	28,856	
Other Receivables	0	565	6	0	0	0	0	571	
Due from Brokers	0	1,294	0	585,694	24,886	147	175,469	787,490	
Due from Other Funds	0	16,068	3,039	13,140	535	6,616	0	39,398	
Capital Assets, Net	0	36	0	982	0	507	2,180	3,705	
Other Assets	0	0	0	239	0	0	0	239	
<b>Total Assets</b>	<b>84,180</b>	<b>2,039,260</b>	<b>870,515</b>	<b>8,976,997</b>	<b>312,194</b>	<b>1,998,556</b>	<b>14,597,179</b>	<b>28,878,881</b>	
<b>Liabilities</b>									
Accounts Payable	0	2,209	638	0	0	1,020	0	3,867	
Securities Lending Payable	0	137,835	73,768	688,724	14,789	20,003	2,363,778	3,298,897	
Due to Brokers	0	0	22,123	846,488	34,174	692	317,029	1,220,506	
Due to Other Funds	0	9	0	4	0	2	18	33	
Benefits in the Process of Payment	0	0	5,291	0	0	7,670	71,624	84,585	
Other Liabilities	0	108	0	0	0	0	9,258	9,366	
<b>Total Liabilities</b>	<b>0</b>	<b>140,161</b>	<b>101,820</b>	<b>1,535,216</b>	<b>48,963</b>	<b>29,387</b>	<b>2,761,707</b>	<b>4,617,254</b>	
<b>Net Position Reserved for Employees' Pension Benefits</b>	<b>\$ 84,180</b>	<b>\$ 1,899,099</b>	<b>\$ 768,695</b>	<b>\$ 7,441,781</b>	<b>\$ 263,231</b>	<b>\$ 1,969,169</b>	<b>\$ 11,835,472</b>	<b>\$ 24,261,627</b>	

State of Oklahoma  
 Combining Statement of Changes in Fiduciary Net Position  
 Pension Trust Funds (Including Similar Component Units)  
 For the Fiscal Year Ended June 30, 2013  
 (expressed in thousands)

	Primary Government	Fiduciary Component Units							Total
		Oklahoma Wildlife Conservation Retirement Plan	Oklahoma Firefighters Pension and Retirement System	Oklahoma Law Enforcement Retirement System	Oklahoma Public Employees Retirement System	Uniform Retirement System for Justices and Judges	Oklahoma Police Pension and Retirement System	Teachers' Retirement System of Oklahoma	
<b>Additions</b>									
Contributions									
Employer Contributions	\$ 4,100	\$ 34,287	\$ 8,296	\$ 269,995	\$ 4,129	\$ 34,645	\$ 373,789	\$ 729,241	
Employee Contributions	698	20,191	5,584	68,201	2,544	21,518	290,044	408,780	
Other Contributions	0	76,310	19,807	0	0	31,412	327,505	455,034	
Total Contributions	4,798	130,788	33,687	338,196	6,673	87,575	991,338	1,593,055	
Investment Income									
Net Appreciation									
in Fair Value of Investments	0	212,643	72,268	704,638	25,514	212,083	1,483,934	2,711,080	
Interest and Investment Revenue	7,637	28,532	13,203	107,846	2,166	21,040	331,631	512,055	
Less Investment Expenses	7,637	241,175	85,471	812,484	27,680	233,123	1,815,565	3,223,135	
Net Investment Income	0	11,615	2,435	8,307	182	11,949	37,971	72,459	
Total Additions	12,435	360,348	116,723	1,142,373	34,171	308,749	2,768,932	4,743,731	
<b>Deductions</b>									
Administrative and General Expenses	192	2,005	882	4,613	126	2,053	28,895	38,766	
Benefit Payments and Refunds	4,445	168,479	48,601	517,282	14,632	115,507	1,099,301	1,968,247	
Total Deductions	4,637	170,484	49,483	521,895	14,758	117,560	1,128,196	2,007,013	
Net Increase	7,798	189,864	67,240	620,478	19,413	191,189	1,640,736	2,736,718	
<b>Net Position Reserved for Employees' Pension Benefits</b>									
Beginning of Year (as restated)	76,382	1,709,235	701,455	6,821,303	243,818	1,777,980	10,194,736	21,524,909	
End of Year	\$ 84,180	\$ 1,899,099	\$ 768,695	\$ 7,441,781	\$ 263,231	\$ 1,969,169	\$ 11,835,472	\$ 24,261,627	

State of Oklahoma  
 Combining Statement of Assets and Liabilities  
 Agency Funds  
 June 30, 2013  
 (expressed in thousands)

	Taxes Held For Outside Entities	Funds Held In Escrow	Assets Held For Beneficiaries	Other	Total
<b>Assets</b>					
Cash/Cash Equivalents	\$ 333,771	\$ 58,164	\$ 67,210	\$ 51,547	\$ 510,692
Investments	0	0	85	0	85
Accounts Receivable	0	3	18	0	21
Taxes Receivable	1	0	0	0	1
Due from Component Units	0	0	0	683	683
Inventory	0	0	0	10,805	10,805
Total Assets	<b>333,772</b>	<b>58,167</b>	<b>67,313</b>	<b>63,035</b>	<b>522,287</b>
<b>Liabilities</b>					
Accounts Payable and Accrued Liabilities	0	8	272	0	280
Tax Refunds Payable	14,577	0	0	0	14,577
Due to Other Funds	0	164	0	112	276
Due to Others	319,195	57,995	67,041	62,923	507,154
Total Liabilities	<b>\$ 333,772</b>	<b>\$ 58,167</b>	<b>\$ 67,313</b>	<b>\$ 63,035</b>	<b>\$ 522,287</b>

State of Oklahoma  
 Combining Statement of Changes in Assets and Liabilities  
 Agency Funds  
 For the Fiscal Year Ended June 30, 2013  
 (expressed in thousands)

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<b>Taxes Held for Outside Entities</b>				
Assets				
Cash/Cash Equivalents	\$ 183,299	\$ 3,260,228	\$ 3,109,756	\$ 333,771
Taxes Receivable	1	0	0	1
Total Assets	<u>183,300</u>	<u>3,260,228</u>	<u>3,109,756</u>	<u>333,772</u>
Liabilities				
Tax Refunds Payable	15,517	14,577	15,517	14,577
Due to Others	167,783	3,245,651	3,094,239	319,195
Total Liabilities	<u>183,300</u>	<u>3,260,228</u>	<u>3,109,756</u>	<u>333,772</u>
<b>Funds Held in Escrow</b>				
Assets				
Cash/Cash Equivalents	54,087	14,594	10,517	58,164
Accounts Receivable	0	3	0	3
Total Assets	<u>54,087</u>	<u>14,597</u>	<u>10,517</u>	<u>58,167</u>
Liabilities				
Accounts Payable	0	8	0	8
Due to Other Funds	139	164	139	164
Due to Others	53,948	14,425	10,378	57,995
Total Liabilities	<u>54,087</u>	<u>14,597</u>	<u>10,517</u>	<u>58,167</u>
<b>Assets Held for Beneficiaries</b>				
Assets				
Cash/Cash Equivalents	66,279	464,842	463,911	67,210
Investments	85	85	85	85
Accounts Receivable	21	18	21	18
Total Assets	<u>66,385</u>	<u>464,945</u>	<u>464,017</u>	<u>67,313</u>
Liabilities				
Accounts Payable	393	277	398	272
Due to Others	65,992	464,668	463,619	67,041
Total Liabilities	<u>66,385</u>	<u>464,945</u>	<u>464,017</u>	<u>67,313</u>
<b>Other</b>				
Assets				
Cash/Cash Equivalents	50,607	51,547	50,607	51,547
Accounts Receivable	2	0	2	0
Due from Component Units	659	683	659	683
Inventory	9,726	10,805	9,726	10,805
Total Assets	<u>60,994</u>	<u>63,035</u>	<u>60,994</u>	<u>63,035</u>
Liabilities				
Due to Other Funds	0	112	0	112
Due to Others	60,994	62,923	60,994	62,923
Total Liabilities	<u>60,994</u>	<u>63,035</u>	<u>60,994</u>	<u>63,035</u>
<b>Total - All Agency Funds</b>				
Assets				
Cash/Cash Equivalents	354,272	3,791,211	3,634,791	510,692
Investments	85	85	85	85
Accounts Receivable	23	21	23	21
Taxes Receivable	1	0	0	1
Due from Component Units	659	683	659	683
Inventory	9,726	10,805	9,726	10,805
Total Assets	<u>364,766</u>	<u>3,802,805</u>	<u>3,645,284</u>	<u>522,287</u>
Liabilities				
Accounts Payable and Accrued Liabilities	393	285	398	280
Tax Refunds Payable	15,517	14,577	15,517	14,577
Due to Other Funds	139	276	139	276
Due to Others (as restated)	348,717	3,787,667	3,629,230	507,154
Total Liabilities	<u>\$ 364,766</u>	<u>\$ 3,802,805</u>	<u>\$ 3,645,284</u>	<u>\$ 522,287</u>

## **NONMAJOR COMPONENT UNITS**

The State of Oklahoma has nine nonmajor component units which are described below:

### **OKLAHOMA EDUCATIONAL TELEVISION AUTHORITY**

P.O. Box 14190, Oklahoma City, Oklahoma 73113

The Authority provides educational television services to all Oklahoma citizens on a coordinated statewide basis.

### **OKLAHOMA INDUSTRIAL FINANCE AUTHORITY**

5900 N. Classen Ct., Oklahoma City, Oklahoma 73118

The Authority assists with the State's industrial development by making loans to authorized industrial development agencies or trusts and new or expanding industries within Oklahoma. The loans are financed by issuance of general obligation bonds.

### **HEALTH INSURANCE HIGH RISK POOL**

P.O. Box 50429, Midwest City, Oklahoma 73140

The Pool provides health insurance to individuals who are unable to obtain coverage from independent insurers. The Pool is financed by assessments levied on independent insurers.

### **MULTIPLE INJURY TRUST FUND**

421 NW 13<sup>th</sup> Street, Oklahoma City, Oklahoma 73103

The Fund provides additional compensation to a worker with a pre-existing injury who suffers a second injury.

### **UNIVERSITY HOSPITALS AUTHORITY**

P.O. Box 26307, Oklahoma City, Oklahoma 73126

The Authority consists of The University Hospital and Children's Hospital of Oklahoma. The University Hospital is affiliated with

the University of Oklahoma Health Sciences Center. The University Hospital is financed primarily through patient service charges.

### **OKLAHOMA DEVELOPMENT FINANCE AUTHORITY**

5900 N. Classen Ct., Oklahoma City, Oklahoma 73118

The Authority provides financing for both public and private entities in the state. The Authority obtains funds through the issuance of bonds and notes.

### **OKLAHOMA CAPITAL INVESTMENT BOARD**

13905 Quail Pointe Drive, Suite A, Oklahoma City, Oklahoma 73134

The Authority assists the State with industrial development by mobilizing equity and near-equity capital for investment to potential creation of jobs and growth that will diversify and stabilize the economy.

### **OKLAHOMA STATE UNIVERSITY MEDICAL AUTHORITY**

1111 W. 17<sup>th</sup> Street, Tulsa, Oklahoma 74107

The Authority is charged with overseeing the 50-year Academic Affiliation Agreement signed between Tulsa Regional Medical Center and OSU Center for Health Sciences. The agreement provides for funding, teaching and training facilities to the graduate medical program associated with the Oklahoma State University Center for Health Sciences.

**State of Oklahoma**  
**Combining Statement of Net Position**  
**NonMajor Component Units**  
June 30, 2013  
(expressed in thousands)

	Oklahoma Educational Television Authority	Oklahoma Industrial Finance Authority	Health Insurance High Risk Pool	Multiple Injury Trust Fund	University Hospitals Authority	Oklahoma Development Finance Authority	Oklahoma Capital Investment Board	Oklahoma State Univ. Medical Authority	Nonmajor Component Units Total
<b>Assets</b>									
Current Assets									
Cash/Cash Equivalents									
Unrestricted Investments	\$ 5,194	\$ 36,134	\$ 6,268	\$ 3,726	\$ 71,497	\$ 15,549	\$ 6	\$ 7,986	\$ 146,360
Accounts Receivable	27,509	0	0	0	1,694	359	0	0	29,562
Interest and Investment Revenue Receivable	98	0	0	0	35	0	0	0	133
Other Receivables	120	0	0	0	0	0	0	0	120
Notes Receivable	0	2,192	0	0	0	0	0	0	2,192
Due from Other Component Units	0	0	0	0	411	204	0	0	615
Due from Primary Government	0	0	0	8,259	79	36	0	0	8,374
Prepaid Items	154	0	0	0	3	0	0	0	157
Other Current Assets	0	0	0	0	0	445	0	0	445
Total Current Assets	33,127	38,509	6,268	11,996	73,736	16,598	6	7,986	188,226
Noncurrent Assets									
Cash/Cash Equivalents									
Restricted Investments	0	12	0	0	676	0	0	0	688
Long-Term Notes Receivable, Net	0	19,869	0	0	886	0	14,941	0	35,696
Capital Assets									
Depreciable, Net	15,395	125	0	7	236,237	91	0	0	251,855
Land	26	0	0	0	4,009	0	0	0	4,035
Construction in Progress	0	0	0	0	12,030	0	0	0	12,030
Other Noncurrent Assets									
Unrestricted	0	20	0	0	20,096	0	0	0	20,116
Restricted	0	0	0	0	35	0	0	0	35
Total Noncurrent Assets	15,421	24,619	0	7	273,969	1,283	14,941	0	330,240
Total Assets	48,548	63,128	6,268	12,003	347,705	17,881	14,947	7,986	518,466
<b>Liabilities</b>									
Liabilities									
Current Liabilities									
Accounts Payable and Accrued Liabilities	228	1	1	78	24,037	54	0	0	24,399
Claims and Judgments	0	0	0	26,294	0	0	0	0	26,294
Interest Payable	0	269	0	353	0	0	132	0	754
Due to Other Component Units	0	0	0	0	119	0	0	0	119
Due to Primary Government	6	0	0	0	0	0	0	0	6
Compensated Absences	197	44	0	81	0	0	0	0	322
Notes Payable	0	0	0	1,553	0	0	0	0	1,553
General Obligation Bonds	0	655	0	0	0	0	0	0	655
Revenue Bonds	12	13,325	0	0	1,170	0	0	0	14,507
Other Current Liabilities	0	0	0	0	171	0	0	0	171
Total Current Liabilities	443	14,294	1	28,359	25,497	54	132	0	68,780
Noncurrent Liabilities									
Claims and Judgments	0	0	0	267,969	0	0	0	0	267,969
Compensated Absences	120	0	0	0	0	0	0	0	120
Notes Payable	0	0	0	18,612	0	0	0	0	18,612
General Obligation Bonds	0	45,465	0	0	0	0	0	0	45,465
Revenue Bonds	0	0	0	0	47,666	9,999	0	0	57,665
Other Noncurrent Liabilities	0	34	0	0	288	0	17,898	0	18,220
Total Noncurrent Liabilities	120	45,499	0	286,581	47,954	9,999	17,898	0	408,051
Total Liabilities	563	59,793	1	314,940	73,451	10,053	18,030	0	476,831
<b>Deferred Inflows of Resources</b>									
Deferred Revenue	0	0	0	0	4	204	0	0	208
Total Deferred Inflows	0	0	0	0	4	204	0	0	208
<b>Net Position</b>									
Invested in Capital Assets, Net of Related Debt:	15,421	0	0	0	203,440	91	0	0	218,952
Restricted for:									
Other Special Purpose	1,966	12	0	0	1,597	0	0	0	3,575
Expendable	30,598	3,323	6,267	(302,937)	69,213	7,533	(3,083)	7,986	(181,100)
Total Net Position	\$ 47,985	\$ 3,335	\$ 6,267	\$ (302,937)	\$ 274,250	\$ 7,624	\$ (3,083)	\$ 7,986	\$ 41,427

**State of Oklahoma**  
**Combining Statement of Activities**  
**NonMajor Component Units**  
**For the Fiscal Year Ended June 30, 2013**  
(bexpressed in thousands)

	Program Revenues				General Revenue				Change in Net Assets	Net Position Beginning of Year	Net Position End of Year			
	Operating		Payments from											
	Expenses	Charges for Services	Grants and Contributions	Net (Expense) Revenue	Primary Government									
<b>Nonmajor Component Units:</b>														
Oklahoma Educational Television Authority	\$ 16,323	\$ 8,877	\$ 1,603	\$ (5,843)	\$ 3,822	\$ (2,021)	\$ 50,006	\$ 47,985						
Oklahoma Industrial Finance Authority	1,802	1,773	0	(29)	0	(29)	3,364	3,335						
Health Insurance High Risk Pool	31,422	33,849	0	2,427	0	2,427	3,840	6,267						
Multiple Injury Trust Fund	94,954	161	0	(94,793)	27,925	(66,868)	(236,069)	(302,937)						
University Hospitals Authority	218,310	174,586	0	(43,724)	41,624	(2,100)	276,350	274,250						
Oklahoma Development Finance Authority	1,148	3,304	0	2,156	0	2,156	5,468	7,624						
Oklahoma Capital Investment Board	1,247	2,271	0	1,024	0	1,024	(4,107)	(3,083)						
Oklahoma State Univ. Medical Authority	6,675	11,160	0	4,485	0	4,485	3,501	7,986						
<b>Total Nonmajor Component Units</b>	<b>\$ 371,881</b>	<b>\$ 235,981</b>	<b>\$ 1,603</b>	<b>\$ (134,297)</b>	<b>\$ 73,371</b>	<b>\$ (60,926)</b>	<b>\$ 102,353</b>	<b>\$ 41,427</b>						

The Notes to the Financial Statements are an integral part of this statement.



House of Representatives

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## Other Supplementary Information

## **Other Supplementary Information**



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

### **TO THE GOVERNOR AND MEMBERS OF THE LEGISLATURE OF THE STATE OF OKLAHOMA**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oklahoma as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated December 31, 2013, which included an emphasis paragraph on the unfunded actuarial accrued liability of the Teachers' Retirement System and an emphasis paragraph on the Multiple Injury Trust Fund for a net deficit related primarily to court awards that exceeded the apportionment of special tax revenue collected. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. As described in our report on the State of Oklahoma's financial statements, other auditors audited the financial statements noted below:

- the financial statements of the Water Resources Board which in the aggregate represent forty-nine percent of the assets, twenty-eight percent of the net position and three percent of the revenues of the enterprise funds;
- the financial statements of the Oklahoma Municipal Power Authority, University of Oklahoma, University of Oklahoma – Health Sciences Center, Oklahoma Student Loan Authority, Oklahoma State University – Foundation, Grand River Dam Authority, Oklahoma State University, Oklahoma Turnpike Authority, University of Oklahoma – Foundation, Oklahoma Housing Finance Authority, CompSource, and the Regents for Higher Education, which in the aggregate represent eighty-four percent of the assets, eighty-two percent of the net position and sixty-three percent of the revenues for the aggregate discretely presented component units;
- the financial statements of the Commissioners of the Land Office permanent fund, and the Tobacco Settlement Endowment permanent fund, which in the aggregate represent ninety-eight percent of the assets, ninety-seven percent of the fund balance and ninety-nine percent of the revenues of the permanent funds; and
- the financial statements of the Oklahoma Public Employees Retirement System and the Oklahoma Teachers Retirement System, which in the aggregate represent eighty-one percent of the assets, eighty percent of the net position and eighty-three percent of the additions of the aggregate remaining fund information.

This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

#### ***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the State of Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of

expressing an opinion on the effectiveness of the State of Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Oklahoma's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. [13-265-001IT, and 13-695-003].

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. [13-090-004, 13-695-015, and 13-131-020].

#### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the State of Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### ***State of Oklahoma Response to Findings***

State of Oklahoma's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The State of Oklahoma's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Audit Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is also a public document pursuant to the Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

December 31, 2013

## **SCHEDULE OF FINDINGS AND RESPONSES**

### **FINANCIAL STATEMENT FINDINGS**

#### **(INTERNAL CONTROL)**

**Reference Number:** 13-265-001IT (12-265-001IT) (11-265-001IT) (10-265-001IT)

**State Agency:** Oklahoma State Department of Education (OSDE)

**Control Category:** Information Security

**Criteria:** According to CobiT, *Plan and Organize 4*, an IT organization is defined by considering requirements for staff, skills, functions, accountability, authority, roles and responsibilities, and supervision. This organization is embedded into an IT process framework that ensures transparency and control as well as the involvement of senior executives and business management. A strategy committee ensures board oversight of IT, and one or more steering committees in which business and IT participate determine the prioritization of IT resources in line with business needs. Processes, policies, and procedures are in place for all functions, with specific attention to control, quality assurance, risk management, information security, data and systems ownership, and segregation of duties. To ensure timely support of business requirements, IT is to be involved in relevant decision processes.

**Condition:** OSDE has a significant deficiency with regard to segregation of duties within the IT division.

**Effect:** The lack of adequate segregation of duties creates a high risk of fraud and/or waste for the agency.

**Recommendation:** We recommend that OSDE evaluate the current position requirements as they are currently filled. Job descriptions and requirements need to be written for each position. Some positions need to be created and/or altered to provide adequate segregation of duties. There needs to be continuing education to ensure that one individual does not have too many critical responsibilities. OSDE should perform an evaluation to check if the current staff is sufficient to meet current agency demands.

**Agency Management Response:** OMES-ISD will complete recruiting for the existing staff vacancies, establish additional positions where warranted and in conjunction with OSDE and complete our cross-training and re-tooling efforts for OMES-ISD staff. OMES Staff assigned to SDE only has one key developer position open. There have been two offers for this position recently but they have been declined, so we are seeking additional funding and hope to have this position refilled by April 15th, 2013.

**Reference Number:** 13-695-003

**State Agency:** Oklahoma Tax Commission (OTC)

**Fund Type:** CAFR – General Fund

**Control Category:** Revenue

**Criteria/Condition:** The Office of Management and Enterprise Services (OMES) Procedures Manual Chapter 500 states, in part, “Each state agency and institution authorized to use an agency clearing account shall furnish the Director of State Finance monthly reports showing the balances and transactions within each account and a reconciliation of the balance shown on the Treasurer's statement to the account balance as shown in the agency records...The monthly reports shall be submitted on OSF Forms Number 11...These reports are designed with three parts to: (A) summarize the receipts and disbursements of the accounts by receipt and expenditure codes; (B) confirm the ending cash and investment balances; and (C) reconcile the agency's records to the State Treasurer's records, explaining any discrepancies. The reports are to be submitted whether or not transactions occurred during the month, signed by the chief fiscal officer of the reporting agency and filed with the Division of Central Accounting and Reporting not later than the 10th day of the following month.”

As of October 2013, the OSF Form 11 was not completed for any of the 12 months during state fiscal year (SFY) 2013 for OTC account number 1695 (PeopleSoft account number 79901), nor for 3 of the 12 months during SFY 2013 for OTC account number 1695C.

**Cause/Effect:** The Commission does not have adequate internal controls in place to ensure OSF Form 11 reconciliations are performed in a timely manner. The Commission did not comply with the above stated requirements for OSF Form 11 reconciliations. Without timely reconciliations, accounts may be inaccurate due to error and/or fraud and cause financial statements to be misstated.

**Recommendation:** We recommend the Commission implement procedures to ensure OSF Form 11 reconciliations are performed within 10 days of months end as stated in the OMES Procedures Manual.

**Agency Management Response:** With the mandate for electronic payment and receipt of funds and changes at the State Treasurer's Office, reconciliation of the clearing account (1695) has become problematic. MSD is currently in the process of reviewing and updating reconciliation processes for these changes in data collection. Based on the review of the reconciliation process MSD has begun a daily review and reconciliation between the Treasurer's statement and the Agency accounts. This daily review enables the Agency to catch discrepancies on both sides in a timely manner. The agency has authorized an additional FTE in Management Services to facilitate the performance of daily review and timely rendering of monthly and annual reporting. The new review processes will ensure that, in the future, the OMES Form 11 reconciliations will be performed as suggested.

**Reference Number:** 13-090-004

**State Agency:** Office of Management and Enterprise Services (OMES)

**Fund Type:** General Fund

**Other Information:** Revenues/General Government Expenditures

**Criteria/Condition:** A component objective of an effective internal control system is to ensure policies/procedures for performing essential duties are adequately documented to ensure presentation and disclosure of financial reporting information is accurate and reliable through proper review and approval.

An entry of \$1,097,530,351 (Journal ID 0002708910) was erroneously posted in the Agency Fund to record apportionments to counties, cities, schools, and outside entities. This entry should have been recorded to the General Fund. The entry was corrected after the State Auditor and Inspector's office brought the error to the attention of the Office of Management and Enterprise Services (OMES).

**Cause/Effect:** Documentation of a current to prior year review of the financial statement accounts was not present to show that the financials were properly analyzed prior to being submitted to our office. The general fund revenues and expenditures were understated and the agency fund revenues and expenditures were overstated by \$1,097,530,351 prior to the correction.

**Recommendation:** We recommend OMES implement policies/procedures to ensure modified accrual adjustments are properly booked and the supervisor properly reviews and approves each modified accrual entry to ensure presentation and disclosure of financial information is accurate and reliable. In addition, we recommend documentation be maintained to include a comparison of prior to current year amounts by account. The importance of these policies/procedures should be emphasized to OMES staff.

**OMES Response:** OMES has review processes in place that include a year to year comparison. Because there was still uncertainty regarding the finality of the amounts provided by the Oklahoma Tax Commission, year-to-year variances for that agency had not yet been resolved when the preliminary draft was provided to the auditors. OMES will add steps to better document the review procedures and better communicate with auditors about specific items in the preliminary draft that are still in very preliminary stages.

**Reference Number:** 13-695-015

**State Agency:** Oklahoma Tax Commission (the Commission)

**Fund Type:** General Fund

**Other Information:** Taxes Receivable

**Criteria/Condition:** A component objective of an effective internal control system is to ensure policies/procedures for performing essential duties are followed to ensure financial reporting information is accurate and reliable through proper review and approval.

The Office of Management and Enterprise Services (OMES) generally accepted accounting principles (GAAP) Conversion Manual for GAAP Package E-1: Taxes Receivable and Refunds Payable Conversion Package states, "Taxes Receivable are taxes that parties outside state government owe the state at June 30. A receivable is recorded at June 30 for all taxes due on or before June 30 when the agency knows the exact amount or has enough information to reasonably estimate the amount of revenue that will be received, and at June 30, the agency has not yet collected the cash."

We noted 11 of 90 receivables tested were doubled. After further review by the Oklahoma Tax Commission, the OneLink reports used to prepare OMES GAAP Package E-1 included the pending payment, as well as the posted payment, but did not include the reversal of the pending payment. After the error was brought to the Commission's attention, new parameters were used to create updated reports.

**Cause/Effect:** GAAP Package E-1: Taxes Receivable and Refunds Payable Summary was prepared by the Oklahoma Tax Commission from OneLink reports with erroneous parameters. During state fiscal year 2013, the Commission was in the process of converting to the OneLink system. The parameters needed for the GAAP Package E-1 were discussed between OTC Management Services Division and IT. The OneLink reports were not extensively reviewed for accuracy prior to approval and submission of GAAP Package E-1 to the OMES. As a result, the taxes receivable amount reported on the GAAP Package was overstated by \$164,624,671.

**Recommendation:** We recommend the Commission implement policies/procedures to ensure GAAP Packages are properly reviewed and approved by someone other than the preparer. Review procedures should include a comparison of the prior and current year amounts reported on the GAAP Package and investigating any large variances. The importance of these policies/procedures should be emphasized to the Commission staff.

**Agency Response:** During FY13 employees involved in the preparation of CAFR information left the agency. Adequate knowledge transfer was conducted between the successor and predecessor employees. Due to unforeseen circumstances the successor employee was unavailable during the preparation of GAAP Package E-1: Taxes Receivable and Refunds Payable Summary. OTC recognizes the need for adequate documentation of processes and cross training among employees involved in the annual reporting process. OTC has authorized additional FTE's to meet the increasing needs for timely reporting and adequate review of agency financial information.

**Auditor Response:** The misstatement was corrected by OMES.

**Reference Number:** 13-131-020

**State Agency:** Department of Corrections

**Fund Type:** General Fund

**Other Information:** Expenditures - Payroll

**Criteria:** A basic objective of Generally Accepted Accounting Principles is to provide accurate and reliable information. Furthermore, an effective internal control system provides for adequate review and approval of expenditure related transactions and record keeping functions.

**Condition:** During our testing of 88 payroll transactions, we noted the following:

- 7 instances where the OPM-14 provided to support the rate paid in the payroll transaction did not agree to CORE records (HR Summary Query);
- 11 instances where the leave slips supporting the timesheet for the selected payroll transaction were missing, were illegible, or did not agree to the employee's timesheet;
- 2 instances where the timesheet supporting the payroll transaction was not approved by the employee's supervisor;
- 18 instances where we were unable to identify the employee's supervisor that had approved or should have approved the timesheet supporting the payroll transaction;
- 4 instances where the leave slips supporting the timesheet for the selected payroll transaction were not approved by the employee's supervisor;

- 2 instances where the overtime paid in the payroll transaction was not supported by documentation; and
- 4 instances where the timesheet supporting the payroll transaction was not provided.

**Cause:** The agency's internal controls involving the review of payroll expenditures are not operating effectively. Additionally, the agency did not collect or did not maintain adequate supporting documentation for payroll transactions.

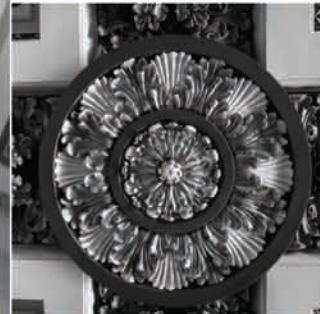
**Effect:** The lack of proper review and approval of timesheets could allow for an employee to receive payment for time not worked or not receive adequate payment for time worked. Additionally, outdated or incorrect OPM-14 information could lead to payroll inaccuracies. Also, inadequate leave documentation or lack of approval for leave could result in inappropriate leave usage or usage of leave not earned. The agency's failure to maintain adequate supporting documentation for transactions makes it impossible to justify agency expenditures and also prevents the agency from detecting or correcting errors.

**Recommendation:** We recommend that the agency review the current process used to review payroll expenditures and ensure that the process is adequately designed to provide assurance that the information on the employee's timesheet is correctly recorded. In addition, we recommend that the agency review its process for maintain supporting documentation to ensure that payroll transactions are properly and adequately supported. Also, we recommend that the importance of these review and documentation procedures be communicated to staff responsible for this duty.

**Agency Management Response:** DOC will review the following policies; OP-110105, *Employee Personnel Records*, OP-110120, *Procedures for Time/Leave Sheets and Payroll Processing*, OP-110305, *Overtime Pay and Compensatory Time*, and OP -110340, *Employee Compensation*, to ensure compliance and/or make changes if necessary. DOC also plans to provide training to Upper Management, Field HRMS staff, and supervisors on the importance of verifying and maintaining proper documentation. During the upcoming training sessions, emphasis will be placed on creating thorough documentation and maintaining accurate filing methods as required by the Department of Libraries Records Disposition Schedule.



Architectural Detail



# Statistical Section

# **Statistical Section**

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## Using the Statistical Section

The statistical section of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health. The information is grouped into the following five categories.

### **Financial Trends** – Net Position by Component, Changes in Net Position, Fund Balances, and Changes in Fund Balance

These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.

### **Revenue Capacity** – Personal Income by Industry, Personal Income Tax Filers and Liability by Adjusted Gross Income, and Tax Collections

These schedules contain information to help the reader assess the ability of the State to generate and collect taxes.

### **Debt Capacity** – Percentage of Annual Debt Service Expenditures for General Bonded Debt to Total Expenditures, Ratios of Outstanding Debt by Type, and Revenue Bond Coverage

These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt, its ability to issue additional debt in the future, and its ability to repay the outstanding debt.

### **Demographic and Economic Information** – Major Employers by Size, Demographic and Economic Statistics, and School Enrollments

These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place and to help make comparisons over time and with other governments.

### **Operating Information** – Government Employees by Function, Capital Asset Utilization by Function, Operating Indicators for Governmental Functions, and Additional Information and Sources of Statistical Data

These schedules contain information about the State's operations and resources to help the reader understand how the State's financial information relates to the services the State provides and the activities it performs.

*Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year.*

**State of Oklahoma**  
**Schedule of Net Position By Component**  
**Last Ten Fiscal Years**  
 (expressed in thousands)

	2004	2005	2006	2007
Governmental Activities				
Invested in capital assets, net of related debt	\$ 5,991,173	\$ 6,086,534	\$ 6,246,160	\$ 6,633,078
Restricted	1,497,652	1,682,789	1,887,136	2,172,697
Unrestricted	1,955,354	2,371,787	3,156,226	3,348,465
Total governmental activities net position	<u>9,444,179</u>	<u>10,141,110</u>	<u>11,289,522</u>	<u>12,154,240</u>
Business-type activities				
Invested in capital assets, net of related debt	220	161	608	1,028
Restricted	485,159	886,391	1,062,156	1,207,733
Unrestricted	224,997	-	202	6,961
Total business-type activities net position	<u>710,376</u>	<u>886,552</u>	<u>1,062,966</u>	<u>1,215,722</u>
Primary government				
Invested in capital assets, net of related debt	5,991,393	6,086,695	6,246,768	6,634,106
Restricted	1,982,811	2,569,180	2,949,292	3,380,430
Unrestricted	2,180,351	2,371,787	3,156,428	3,355,426
Total primary government net position	<u>\$ 10,154,555</u>	<u>\$ 11,027,662</u>	<u>\$ 12,352,488</u>	<u>\$ 13,369,962</u>

**State of Oklahoma**  
**Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**

(Modified accrual basis of accounting)  
 (expressed in thousands)

	2004	2005	2006	2007
General Fund				
Reserved	\$ 354,525	\$ 359,492	\$ 586,051	\$ 731,850
Unreserved	1,719,849	2,164,492	3,373,911	3,449,196
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>2,074,374</u>	<u>2,523,984</u>	<u>3,959,962</u>	<u>4,181,046</u>
All Other Governmental Funds				
Reserved	1,423,558	1,589,641	1,748,747	2,024,316
Unreserved	-	-	-	-
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total All Other Governmental Funds	<u>1,423,558</u>	<u>1,589,641</u>	<u>1,748,747</u>	<u>2,024,316</u>
Total All Governmental Fund Balances	<u>\$ 3,497,932</u>	<u>\$ 4,113,625</u>	<u>\$ 5,708,709</u>	<u>\$ 6,205,362</u>

2008	2009	2010	2011	2012	2013
\$ 7,118,384	\$ 7,364,509	\$ 8,148,821	\$ 8,710,430	\$ 9,276,689	\$ 9,650,570
3,368,766	2,268,701	2,492,399	3,647,627	3,957,319	4,182,822
2,284,063	2,970,902	2,102,236	1,377,573	1,618,544	1,661,849
<u>12,771,213</u>	<u>12,604,112</u>	<u>12,743,456</u>	<u>13,735,630</u>	<u>14,852,552</u>	<u>15,495,241</u>

771	527	330	202	126	1,037
9,019	1,178,940	834,824	867,777	1,102,997	1,353,998
1,283,673	10,972	8,887	5,346	273,981	602,997
<u>1,293,463</u>	<u>1,190,439</u>	<u>844,041</u>	<u>873,325</u>	<u>1,377,104</u>	<u>1,958,032</u>

7,119,155	7,365,036	8,149,151	8,710,632	9,276,815	9,651,607
3,377,785	3,447,641	3,327,223	4,515,404	5,060,316	5,536,820
3,567,736	2,981,874	2,111,123	1,382,919	1,892,525	2,264,846
<u>\$ 14,064,676</u>	<u>\$ 13,794,551</u>	<u>\$ 13,587,497</u>	<u>\$ 14,608,955</u>	<u>\$ 16,229,656</u>	<u>\$ 17,453,273</u>

2008	2009	2010	2011	2012	2013
\$ 758,702	\$ 767,554	\$ 679,812	\$ -	\$ -	\$ -
3,504,990	3,166,157	2,331,047	-	-	-
-	-	-	64,817	73,539	84,743
-	-	-	1,020,229	1,244,592	1,240,573
-	-	-	2,112,921	2,282,175	2,344,077
-	-	-	-	-	1,960
-	-	-	62,301	144,365	133,796
<u>4,263,692</u>	<u>3,933,711</u>	<u>3,010,859</u>	<u>3,260,268</u>	<u>3,744,671</u>	<u>3,805,149</u>

2,052,390	1,906,950	2,232,060	-	-	-
-	-	-	-	-	-
-	-	-	2,539,403	2,549,833	2,829,731
-	-	-	23,294	15,980	12,438
-	-	-	2,928	66,135	60,952
-	-	-	26,355	25,724	39,056
<u>2,052,390</u>	<u>1,906,950</u>	<u>2,232,060</u>	<u>2,591,980</u>	<u>2,657,672</u>	<u>2,942,177</u>
<u>\$ 6,316,082</u>	<u>\$ 5,840,661</u>	<u>\$ 5,242,919</u>	<u>\$ 5,852,248</u>	<u>\$ 6,402,343</u>	<u>\$ 6,747,326</u>

# State of Oklahoma

## Changes in Net Position by Component

### Last Ten Fiscal Years

(expressed in thousands)

	2004	2005	2006	2007
<b>Expenses</b>				
<b>Governmental Activities:</b>				
Education-General	\$ 2,614,823	\$ 2,751,320	\$ 2,942,969	\$ 3,285,059
Education-Payment to Higher Education	802,985	786,862	823,489	936,404
General Government	1,254,177	1,518,198	1,529,506	1,712,841
Health Services	393,661	3,096,903	3,471,042	3,954,939
Legal and Judiciary	160,952	175,673	197,324	213,955
Museums	11,042	11,634	33,840	17,834
Natural Resources	181,033	201,039	242,466	271,734
Public Safety and Defense	645,820	674,507	728,331	829,663
Regulatory Services	71,733	83,421	116,516	110,218
Social Services	4,154,504	1,664,577	1,727,808	1,797,721
Transportation	559,628	580,027	654,147	482,831
Interest on Long-Term Debt	45,615	47,769	68,383	69,769
Governmental Activities	<b>10,895,973</b>	<b>11,591,930</b>	<b>12,535,821</b>	<b>13,682,968</b>
<b>Business-Type Activities:</b>				
Employment Security Commission	335,197	194,373	164,954	177,914
Water Resources Board	15,965	24,636	29,829	28,015
Office of Management and Enterprise Services	-	-	-	-
Lottery Commission	-	92	164,862	145,028
Business-Type Activities	<b>351,162</b>	<b>219,101</b>	<b>359,645</b>	<b>350,957</b>
Total Primary Government Expenses	<b>11,247,135</b>	<b>11,811,031</b>	<b>12,895,466</b>	<b>14,033,925</b>
<b>Program Revenues</b>				
<b>Governmental Activities:</b>				
Charges for Services:				
General Government	103,377	188,708	200,292	215,773
Health Services	48,308	205,753	219,040	166,816
Social Services	289,548	56,351	76,898	72,674
All Others	378,666	452,317	441,250	472,406
Total Charges for Services	<b>819,899</b>	<b>903,129</b>	<b>937,480</b>	<b>927,669</b>
Operating Grants and Contributions	4,533,045	4,641,036	4,928,318	5,370,772
Capital Grants and Contributions	9,056	1,304	-	-
Total Governmental Activities	<b>5,362,000</b>	<b>5,545,469</b>	<b>5,865,798</b>	<b>6,298,441</b>
<b>Business-Type Activities:</b>				
Charges for Services:				
Employment Security Commission	263,265	328,445	311,294	271,705
Water Resources Board	13,284	41,761	35,596	52,300
Office of Management and Enterprise Services	-	-	-	-
Lottery Commission	-	-	205,075	215,223
Total Charges for Services	<b>276,549</b>	<b>370,206</b>	<b>551,965</b>	<b>539,228</b>
Operating Grants and Contributions	82,199	25,434	24,432	34,457
Total Business-Type Activities	<b>358,748</b>	<b>395,640</b>	<b>576,397</b>	<b>573,685</b>
Total Primary Government Revenue	<b>5,720,748</b>	<b>5,941,109</b>	<b>6,442,195</b>	<b>6,872,126</b>
Net (Expense) Revenue:				
Governmental Activities	(5,533,973)	(6,046,461)	(6,670,023)	(7,384,527)
Business-Type Activities	<b>7,586</b>	<b>176,539</b>	<b>216,752</b>	<b>222,728</b>
<b>Total Primary Government</b>	<b>(5,526,387)</b>	<b>(5,869,922)</b>	<b>(6,453,271)</b>	<b>(7,161,799)</b>
<b>General Revenues</b>				
<b>Governmental Activities:</b>				
Taxes	6,268,763	6,652,722	7,712,816	7,974,727
Investment Earnings	21,600	46,981	114,884	192,733
Contributions to Permanent Funds	39,039	43,504	43,684	48,839
Gain (Loss) on Sale of Assets	-	-	5,386	1,989
Special Item	-	-	(91,869)	-
Transfers	379	363	40,325	69,972
Total Governmental Activities	<b>6,329,781</b>	<b>6,743,570</b>	<b>7,825,226</b>	<b>8,288,260</b>
<b>Business-Type Activities:</b>				
Transfers	(379)	(363)	(40,325)	(69,972)
Total Business-Type Activities	<b>(379)</b>	<b>(363)</b>	<b>(40,325)</b>	<b>(69,972)</b>
Total General Revenues and Transfers	<b>6,329,402</b>	<b>6,743,207</b>	<b>7,784,901</b>	<b>8,218,288</b>
Change in Net Position	803,015	873,285	1,331,630	1,056,489
<b>Net Position - Beginning of Year (as restated)</b>	<b>9,351,540</b>	<b>10,154,377</b>	<b>11,020,858</b>	<b>12,313,473</b>
<b>Net Position - End of Year</b>	<b>\$ 10,154,555</b>	<b>\$ 11,027,662</b>	<b>\$ 12,352,488</b>	<b>\$ 13,369,962</b>

	2008	2009	2010	2011	2012	2013
\$	3,479,319	\$ 3,548,104	\$ 3,573,881	\$ 3,506,316	\$ 2,413,027	\$ 2,405,694
910,385	1,076,409	1,076,248	1,065,225	1,982,235	2,003,101	
1,680,106	1,718,794	1,611,256	1,663,883	1,763,437	1,866,501	
4,214,407	4,542,241	4,750,304	4,866,858	5,432,791	5,462,257	
222,319	230,706	256,867	241,360	236,979	245,372	
32,164	17,507	14,572	13,539	15,455	15,916	
249,235	265,197	249,020	257,998	223,444	353,243	
926,959	951,387	811,999	850,190	825,787	820,506	
95,653	130,033	119,044	127,211	116,789	129,206	
1,782,333	1,976,556	2,287,486	2,269,749	2,126,879	2,222,255	
791,993	902,151	842,394	934,272	845,784	941,132	
74,108	70,026	70,549	100,363	95,097	112,030	
<b>14,458,981</b>	<b>15,427,111</b>	<b>15,663,620</b>	<b>15,896,964</b>	<b>16,077,704</b>	<b>16,577,213</b>	
194,549	533,629	1,146,720	776,001	537,575	386,399	
27,016	25,527	26,739	40,769	39,979	39,398	
-	-	-	-	-	843,065	
145,951	122,961	132,642	132,812	127,729	128,642	
<b>367,516</b>	<b>682,117</b>	<b>1,306,101</b>	<b>949,582</b>	<b>705,283</b>	<b>1,397,504</b>	
<b>14,826,497</b>	<b>16,109,228</b>	<b>16,969,721</b>	<b>16,846,546</b>	<b>16,782,987</b>	<b>17,974,717</b>	
222,663	230,663	219,412	224,414	262,488	470,067	
140,691	126,087	167,567	174,185	476,950	472,502	
157,818	190,535	198,086	171,890	62,997	26,317	
483,933	569,538	707,820	570,744	564,370	697,964	
1,005,105	1,116,823	1,292,885	1,141,233	1,366,805	1,666,850	
5,528,650	6,141,165	7,804,862	7,982,737	7,181,699	6,939,234	
-	-	-	-	-	-	
<b>6,533,755</b>	<b>7,257,988</b>	<b>9,097,747</b>	<b>9,123,970</b>	<b>8,548,504</b>	<b>8,606,084</b>	
227,733	267,591	206,763	352,458	634,373	535,290	
37,585	53,973	26,979	76,225	59,461	54,877	
-	-	-	-	-	860,767	
214,400	193,326	199,926	198,274	199,973	200,324	
479,718	514,890	433,668	626,957	893,807	1,651,258	
33,862	134,029	596,350	421,483	260,936	138,918	
513,580	648,919	1,030,018	1,048,440	1,154,743	1,790,176	
<b>7,047,335</b>	<b>7,906,907</b>	<b>10,127,765</b>	<b>10,172,410</b>	<b>9,703,247</b>	<b>10,396,260</b>	
(7,925,226)	(8,169,123)	(6,565,873)	(6,772,994)	(7,529,200)	(7,971,129)	
<b>146,064</b>	<b>(33,198)</b>	<b>(276,083)</b>	<b>98,858</b>	<b>449,460</b>	<b>392,672</b>	
<b>(7,779,162)</b>	<b>(8,202,321)</b>	<b>(6,841,956)</b>	<b>(6,674,136)</b>	<b>(7,079,740)</b>	<b>(7,578,457)</b>	
8,181,246	7,865,527	6,517,387	7,533,430	8,416,465	8,370,489	
247,191	141,264	45,116	117,128	80,488	68,601	
68,018	73,548	62,325	61,738	64,861	87,515	
-	1,316	3,816	-	-	-	
-	-	-	-	7,384	615	
68,323	69,826	70,315	69,574	65,880	77,745	
<b>8,564,778</b>	<b>8,151,481</b>	<b>6,698,959</b>	<b>7,781,870</b>	<b>8,635,078</b>	<b>8,604,965</b>	
(68,323)	(69,826)	(70,315)	(69,574)	(65,880)	(77,745)	
(68,323)	(69,826)	(70,315)	(69,574)	(65,880)	(77,745)	
<b>8,496,455</b>	<b>8,081,655</b>	<b>6,628,644</b>	<b>7,712,296</b>	<b>8,569,198</b>	<b>8,527,220</b>	
717,293	(120,666)	(213,312)	1,038,160	1,489,458	948,763	
<b>13,347,383</b>	<b>13,915,217</b>	<b>13,800,809</b>	<b>13,570,795</b>	<b>14,740,198</b>	<b>16,504,510</b>	
<b>\$ 14,064,676</b>	<b>\$ 13,794,551</b>	<b>\$ 13,587,497</b>	<b>\$ 14,608,955</b>	<b>\$ 16,229,656</b>	<b>\$ 17,453,273</b>	

# State of Oklahoma

## Changes in Fund Balances, Governmental Funds

### Last Ten Fiscal Years

(Modified accrual basis of accounting)  
(expressed in thousands)

	2004	2005	2006	2007
<b>Revenues</b>				
Taxes:				
Income Taxes-Individual	\$ 2,427,239	\$ 2,410,234	\$ 2,693,548	\$ 2,654,294
Income Taxes-Corporate	199,937	277,265	426,725	772,668
Sales Tax	1,623,423	1,682,636	1,843,803	1,968,931
Gross Production Taxes	656,035	737,204	1,036,888	822,888
Motor Vehicle Taxes	572,844	574,800	584,294	609,669
Fuel Taxes	383,871	407,276	414,677	401,992
Tobacco Taxes	-	124,347	216,512	220,556
Insurance Taxes	173,535	81,852	76,874	104,403
Beverage Taxes	68,617	71,300	75,517	79,996
Other Taxes	163,262	285,808	343,978	339,330
Licenses, Permits and Fees	257,683	285,323	296,521	289,717
Interest and Investment Revenue	234,560	294,796	382,545	637,729
Federal Grants	4,314,751	4,493,290	4,770,328	5,006,861
Sales and Services	158,314	169,374	183,369	185,278
Other	416,874	388,193	434,451	366,988
Total Revenues	<u>11,650,945</u>	<u>12,283,698</u>	<u>13,780,030</u>	<u>14,461,300</u>
<b>Expenditures</b>				
Education	3,413,856	3,534,042	3,762,683	4,218,333
General Government	1,242,562	1,478,107	1,607,212	1,604,462
Health Services	385,634	3,144,918	3,447,085	3,936,893
Legal and Judiciary	155,822	170,337	190,644	207,229
Museums	9,497	11,171	30,316	17,045
Natural Resources	170,469	191,514	231,616	238,075
Public Safety and Defense	596,905	628,901	674,494	773,813
Regulatory Services	70,559	81,333	114,871	108,231
Social Services	4,118,013	1,589,397	1,697,057	1,758,475
Transportation	205,421	146,013	224,885	173,532
Capital Outlay	635,411	673,562	768,003	918,055
Debt Service				
Principal Retirement	28,212	31,550	98,512	103,606
Interest and fiscal Charges	45,615	47,769	68,383	69,769
Total Expenditures	<u>11,077,976</u>	<u>11,728,614</u>	<u>12,915,761</u>	<u>14,127,518</u>
Revenues in Excess of (Less Than) Expenditures	572,969	555,084	864,269	333,782
<b>Other Financing Sources (Uses)</b>				
Transfers In	6,575	4,439	50,405	80,606
Transfers Out	(6,196)	(4,076)	(10,080)	(10,634)
Bonds Issued	34,180	47,940	614,400	6,430
Notes Issued	54,770	-	48,875	95,675
Refunding Bonds Issued	22,070	118,825	-	-
Bond Issue Premiums	2,670	8,497	14,562	4,573
Bond Issue Discounts	(182)	(421)	(975)	(82)
Payment to Refunded Bond Escrow Agent	(298,591)	(126,670)	-	-
Capital Leases and Certificates of Participation	1,886	311	248	2,501
Sale of Capital Assets	11,008	11,764	13,191	7,613
Total Other Financing Sources (Uses)	<u>(171,810)</u>	<u>60,609</u>	<u>730,626</u>	<u>186,682</u>
<b>Net Changes in Fund Balances</b>				
Fund Balances - Beginning of Year (as restated)	3,096,773	3,497,932	4,113,814	5,684,898
Fund Balances - End of Year	<u>\$ 3,497,932</u>	<u>\$ 4,113,625</u>	<u>\$ 5,708,709</u>	<u>\$ 6,205,362</u>
Debt Service as a Percentage of Noncapital Expenditures	0.7%	0.7%	1.4%	1.3%

2008	2009	2010	2011	2012	2013
\$ 2,753,040	\$ 2,537,221	\$ 1,969,264	\$ 2,393,660	\$ 2,739,864	\$ 2,855,509
552,193	449,910	171,555	328,007	413,113	595,249
2,107,116	2,190,082	1,981,220	2,191,643	2,400,354	2,523,098
1,114,950	1,136,279	702,949	786,827	885,038	513,350
604,926	585,084	551,029	633,107	693,524	686,540
419,617	397,852	384,383	399,011	416,940	408,507
237,166	254,006	234,540	267,948	281,754	272,123
100,778	105,076	87,805	113,948	124,651	145,437
86,648	90,071	83,673	94,352	99,567	105,316
204,812	119,946	350,969	324,927	361,660	265,359
323,903	357,226	356,321	403,355	597,471	627,229
399,006	89,296	476,597	699,254	336,295	509,424
5,503,532	6,227,575	7,456,421	7,499,163	6,934,571	6,647,031
173,117	201,307	184,977	166,595	190,782	174,524
475,020	570,192	780,630	521,796	614,344	865,018
<b>15,055,824</b>	<b>15,311,123</b>	<b>15,772,333</b>	<b>16,823,593</b>	<b>17,089,928</b>	<b>17,193,714</b>
4,387,428	4,619,951	4,648,786	4,572,304	4,395,104	4,406,724
1,694,758	1,631,219	1,560,521	1,634,351	1,741,287	1,857,921
4,200,188	4,525,993	4,737,363	4,851,630	5,436,158	5,447,207
215,942	225,225	248,996	232,245	231,292	239,421
31,586	16,903	14,993	13,801	14,281	14,915
263,551	271,487	279,830	250,174	211,946	337,867
876,660	915,880	755,376	798,995	764,714	768,059
93,438	127,803	117,821	115,076	111,911	122,354
1,755,810	1,933,117	2,259,473	2,252,188	2,091,972	2,196,864
286,540	199,517	177,683	182,708	208,009	212,248
1,010,262	1,438,064	1,626,181	1,551,017	1,302,447	1,104,103
126,103	95,155	111,816	118,163	98,831	221,187
74,108	70,026	70,549	72,074	95,097	112,030
<b>15,016,374</b>	<b>16,070,340</b>	<b>16,609,388</b>	<b>16,644,726</b>	<b>16,703,049</b>	<b>17,040,900</b>
39,450	(759,217)	(837,055)	178,867	386,879	152,814
76,576	77,371	84,362	71,919	73,168	67,955
(8,253)	(7,545)	(14,047)	(2,345)	(7,287)	-
23,000	105,400	148,080	559,045	68,805	22,795
-	98,230	-	-	-	-
-	-	-	-	6,140	67,555
-	2,478	2,671	38,627	11,282	8,099
-	(730)	-	-	(35)	(121)
-	-	-	(246,044)	-	-
2,873	3,655	8,116	2,640	5,659	5,256
7,860	5,832	10,142	7,601	8,139	11,928
<b>102,056</b>	<b>284,691</b>	<b>239,324</b>	<b>431,443</b>	<b>165,871</b>	<b>183,467</b>
<b>141,506</b>	<b>(474,526)</b>	<b>(597,731)</b>	<b>610,310</b>	<b>552,750</b>	<b>336,281</b>
<b>6,174,576</b>	<b>6,315,187</b>	<b>5,840,650</b>	<b>5,241,938</b>	<b>5,849,593</b>	<b>6,411,045</b>
<b>\$ 6,316,082</b>	<b>\$ 5,840,661</b>	<b>\$ 5,242,919</b>	<b>\$ 5,852,248</b>	<b>\$ 6,402,343</b>	<b>\$ 6,747,326</b>

1.4% 1.1% 1.2% 1.3% 1.3% 2.1%

**State of Oklahoma**  
**Personal Income by Industry**  
**Last Ten Calendar Years**  
 (expressed in millions)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Total Personal Income</b>	\$ 93,032	\$ 98,095	\$ 106,111	\$ 115,960	\$ 126,280	\$ 131,070	\$ 132,144	\$ 133,149	\$ 142,862	\$ 154,958
Farm Earnings	736	917	870	401	486	828	110	955	881	1,253
Nonfarm Earnings	68,022	72,218	78,528	85,495	91,723	93,894	93,158	92,177	101,345	108,094
<b>Private Earnings</b>	<b>53,238</b>	<b>56,529</b>	<b>61,924</b>	<b>67,681</b>	<b>72,903</b>	<b>73,787</b>	<b>71,887</b>	<b>70,174</b>	<b>79,024</b>	<b>87,058</b>
Agriculture Services, Forestry	161	177	189	186	203	203	199	193	273	244
Mining, Oil & Natural Gas Extraction	4,002	4,549	6,389	8,265	8,634	7,963	8,528	5,813	9,467	14,809
Utilities	1,386	1,444	1,274	1,385	1,721	1,309	1,473	1,407	1,468	1,537
Construction	3,363	3,533	3,806	4,112	4,154	4,722	4,383	4,861	5,390	6,381
Manufacturing - Durable	5,116	5,164	5,270	5,759	6,020	6,266	5,389	5,717	5,907	6,486
Manufacturing - Nondurable	5,070	5,293	6,907	7,185	8,533	5,734	5,476	3,240	3,675	3,500
Wholesale Trade	2,747	2,938	3,209	3,548	3,745	4,060	3,727	3,667	4,026	4,298
Retail Trade	4,932	5,096	5,311	5,578	5,746	6,255	5,810	6,414	6,749	7,080
Transportation and Warehousing	2,573	2,776	2,865	3,260	3,484	3,732	3,698	3,931	5,063	4,316
Services	23,888	25,559	26,704	28,403	30,663	33,543	33,204	34,931	37,006	38,407
<b>Government</b>	<b>14,784</b>	<b>15,689</b>	<b>16,604</b>	<b>17,814</b>	<b>18,820</b>	<b>20,107</b>	<b>21,271</b>	<b>22,003</b>	<b>22,321</b>	<b>21,036</b>
Federal, civilian	3,446	3,696	3,816	4,001	4,170	4,193	4,467	4,797	4,884	4,409
Military	2,128	2,265	2,393	2,621	2,691	2,825	3,024	3,261	3,240	2,438
State and Local	9,210	9,728	10,395	11,192	11,959	13,089	13,780	13,945	14,197	14,189
Highest Personal Income Tax Rate	7.00%	7.00%	6.65%	5.65%	5.65%	5.50%	5.50%	5.50%	5.50%	5.25%
Corporate Income Tax Rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

Source: U. S. Department of Commerce, Bureau of Economic Analysis, and the Oklahoma Tax Commission.

Data is the latest available at time of printing.

**State of Oklahoma**  
**Personal Income Tax Filers and Liability by Adjusted Gross Income**  
**Calendar (Tax) Years 2011 and 2002**

Calendar Year 2011				
<u>Adjusted Gross Income Level</u>	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Personal Income Tax Liability</u>	<u>Percentage of Total</u>
\$100,001 and higher	204,666	12%	\$1,476,097,379	55%
\$75,001 - \$100,000	124,312	7%	\$363,595,469	14%
\$50,001 - \$75,000	212,374	13%	\$408,718,234	15%
\$25,001 - \$50,000	409,902	24%	\$362,711,256	13%
\$10,001 - \$25,000	421,213	25%	\$74,566,486	2%
\$10,000 and lower	328,746	19%	\$837,749	1%
Total	<u>1,701,213</u>	100%	<u>\$2,686,526,573</u>	100%

Calendar Year 2002				
<u>Adjusted Gross Income Level</u>	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Personal Income Tax Liability</u>	<u>Percentage of Total</u>
\$100,001 and higher	79,266	6%	\$633,309,035	32%
\$75,001 - \$100,000	76,166	6%	\$280,309,958	14%
\$50,001 - \$75,000	168,076	12%	\$423,314,198	22%
\$25,001 - \$50,000	343,872	25%	\$441,682,736	23%
\$10,001 - \$25,000	394,709	28%	\$145,231,713	8%
\$10,000 and lower	324,948	23%	\$10,519,439	1%
Total	<u>1,387,037</u>	100%	<u>\$1,934,367,079</u>	100%

*Source: Oklahoma Tax Commission*

# State of Oklahoma

## Tax Collections

### For Last Ten Fiscal Years

Taxes	2004	2005	2006	2007
Aircraft Excise Tax	\$ 2,130,160	\$ 3,839,124	\$ 2,781,702	\$ 4,894,881
Alcoholic Beverage Excise Tax	25,032,825	26,311,626	18,368,824	19,298,490
Beverage Tax	24,003,209	23,735,552	24,253,880	24,876,901
Bingo Tax	4,978,884	4,051,661	1,640,473	1,088,643
Business Activity Tax	-	-	-	-
Charity Games Tax	376,960	308,613	136,253	107,404
Cigarette Tax	40,475,363	95,450,565	176,915,506	197,416,262
City Use Tax - Collect/Deposit	567,686	660,926	790,748	897,305
Coin Operated Device Decal	3,925,921	4,159,453	2,811,672	3,560,571
Controlled Dangerous Substance Tax	-	6,653	23,564	19,295
County Tax (Use & Lodging)	-	125,697	150,697	192,820
Diesel Fuel Excise Tax	83,245,595	102,260,840	72,494,201	60,427,734
Documentary Stamp Tax	12,047,669	14,000,568	16,768,900	17,153,783
Farm Implement Tax Stamps	-	7,010	5,870	6,305
Franchise Tax	41,660,448	40,671,476	41,476,258	43,068,528
Freight Car Tax	741,459	765,646	755,298	782,258
Fuels Excise Tax	-	-	-	-
Gaming Exclusivity Fees	-	1,653,098	14,191,695	43,618,582
Gasoline Excise Tax	302,366,783	301,720,983	219,279,433	207,928,969
Gross Production Tax - Oil and Gas	645,764,813	751,196,057	880,226,067	787,621,631
Horse Track Gaming	-	-	3,145,867	10,019,698
Income Tax (Individual)	2,319,213,479	2,469,593,556	2,761,624,929	2,774,850,747
Income Tax (Corporate)	133,308,896	168,889,848	304,381,318	554,759,229
Inheritance and Estate Tax	111,145,361	75,708,394	81,923,012	69,312,845
Insurance Premium Tax	275,709,270	139,575,679	129,587,854	159,816,876
Mixed Beverage Gross Receipts Tax	19,384,468	20,950,603	23,378,598	25,754,035
Occupational Health and Safety Tax	1,796,126	1,791,197	1,919,509	2,263,308
Pari-Mutuel Taxes	2,799,509	1,827,015	1,638,435	1,834,816
Pari-Mutuel - Other Tax	22,390	13,836	14,948	18,645
Petroleum Excise Tax	9,286,470	11,310,702	15,540,837	13,214,922
Rural Electric Co-operative Tax	20,431,429	17,306,353	1,249,543	1,448,501
Sales Tax	1,496,365,797	1,546,643,407	1,677,854,488	1,790,192,096
Sales Tax - City	9,853,256	10,327,761	12,798,204	13,735,769
Sales Tax - County	1,538,470	1,865,652	2,208,807	2,853,056
Special Fuel Decal	272,297	268,856	221,878	719,261
Special Fuel Use Tax	37,152	18,719	990,474	1,461,588
Tag Agent Remittance Tax	572,966,808	553,892,770	261,355,513	277,606,225
Telephone Surcharge	904,408	978,355	953,770	925,799
Tobacco Products Tax	12,423,543	17,199,744	23,970,831	23,700,748
Tourism Gross Receipt Tax	4,742,439	4,801,137	5,175,280	5,532,552
Tribal Compact in Lieu of Tax Payments	10,579,504	15,099,194	20,383,536	22,734,204
Unclaimed Property Assessment	39,408,944	52,245,461	10,829,856	11,849,607
Unclassified Tax Receipts	53,627	41,819	62,370	135,530
Use Tax	98,007,540	114,197,882	133,775,850	155,857,219
Vehicle Revenue Tax Stamps	45,275	43,908	45,452	46,074
Workers' Compensation Awards - Assessments	28,749,473	26,242,427	31,319,198	31,355,388
Workers' Compensation Insurance Premium Tax	6,325,844	6,617,592	7,259,704	7,652,100
Other Taxes	16,427,233	20,791,539	18,902,571	17,453,681
<b>Total</b>	<b>\$ 6,379,116,783</b>	<b>\$ 6,649,168,954</b>	<b>\$ 7,005,583,673</b>	<b>\$ 7,390,064,881</b>

Prepared using cash basis to aid in budgetary analysis.

Source: Oklahoma Tax Commission as adjusted.

	2008	2009	2010	2011	2012	2013
\$	4,756,533	\$ 4,172,388	\$ 4,234,993	\$ 4,358,022	\$ 5,884,147	\$ 4,910,204
20,898,973	21,886,066	21,905,099	22,777,383	23,614,156	25,553,610	
25,337,878	26,359,749	25,303,290	24,934,826	24,979,667	24,653,353	
491,681	222,436	140,859	136,038	132,086	127,801	
-	-	-	4,869,667	50,733,207	45,051,074	
71,363	51,222	54,607	20,623	28,177	42,535	
202,745,622	204,236,542	196,519,460	215,941,799	227,840,813	210,231,001	
1,069,561	958,607	1,002,399	1,000,347	1,259,015	1,229,331	
3,512,188	3,956,591	3,111,604	2,197,531	4,044,697	4,191,200	
17,766	33,260	20,674	30,586	34,874	57,556	
213,985	219,223	194,713	237,749	280,394	314,817	
69,806,535	72,681,342	71,963,557	69,230,643	77,027,777	73,785,574	
16,584,410	13,307,236	11,090,994	10,981,645	11,991,469	15,282,903	
8,324	8,287	6,397	8,033	8,328	10,818	
46,103,569	46,908,656	46,714,746	32,647,715	758,202	540,824	
676,250	707,694	530,685	619,364	665,287	717,516	
-	-	-	49,665	-	-	
79,779,165	104,803,681	118,624,111	123,560,707	124,300,610	129,286,255	
207,968,692	206,287,240	208,545,441	197,712,177	206,179,731	203,403,445	
950,392,198	976,062,637	579,700,531	631,755,429	724,903,048	373,494,633	
10,429,536	13,727,728	13,710,940	16,915,904	18,612,058	20,483,704	
2,778,617,535	2,605,269,216	2,230,787,128	2,385,413,131	2,723,887,073	2,844,880,206	
359,823,533	376,971,517	212,866,850	330,905,421	412,808,773	594,181,209	
52,416,680	43,803,931	23,433,845	5,661,243	1,814,854	135,523	
161,504,757	165,916,913	141,255,690	170,627,316	199,620,667	213,675,180	
29,749,193	31,554,602	32,494,306	35,344,321	39,241,847	43,357,002	
2,311,554	2,521,511	2,757,188	2,672,792	3,027,902	2,681,651	
1,811,980	1,647,939	1,265,853	1,117,663	1,272,843	1,287,912	
33,155	18,178	28,721	11,155	7,633	9,352	
15,861,718	16,010,447	11,045,779	13,077,225	14,309,381	12,450,983	
1,488,051	1,602,814	1,521,744	1,642,867	1,770,676	1,842,173	
1,913,387,580	1,989,494,833	1,806,049,515	1,982,182,368	2,165,311,137	2,275,444,163	
12,425,284	13,720,926	13,113,139	12,948,170	14,906,819	15,541,756	
2,583,542	2,851,342	2,715,907	2,853,587	3,304,647	3,374,051	
320,595	315,226	355,578	503,848	396,838	460,204	
1,423,614	1,438,287	1,498,427	1,522,816	1,539,054	1,421,676	
307,223,643	261,581,867	247,546,872	307,579,624	348,562,103	330,838,092	
917,690	885,980	837,385	796,832	722,113	719,897	
24,311,479	26,073,091	27,045,416	30,947,514	34,415,644	37,643,515	
1,163,187	2,946	-	-	-	-	
28,031,272	43,708,777	47,165,891	40,180,597	41,910,495	43,741,973	
11,756,295	11,444,647	11,418,562	9,424,634	12,083,796	10,575,619	
278,502	510,559	274,693	188,102	366,977	49,413	
167,314,341	191,222,671	152,323,434	176,061,390	206,228,223	221,082,285	
46,769	39,793	37,247	40,797	43,650	51,598	
22,427,205	23,056,945	23,440,505	25,534,690	22,723,364	34,801,759	
7,622,856	7,567,468	7,452,455	8,802,817	8,693,887	9,949,807	
19,685,781	19,825,879	19,113,157	21,172,515	23,170,322	28,001,415	
\$	7,565,402,020	\$ 7,535,648,889	\$ 6,321,220,387	\$ 6,927,199,288	\$ 7,785,418,461	\$ 7,861,566,568

**State of Oklahoma**  
**Percentage of Annual Debt Service Expenditures**  
**for General Bonded Debt to Total Expenditures**  
**Governmental Funds**  
**For Last Ten Fiscal Years**  
 (expressed in thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt Service										
Principal Retirement	\$ 28,212	\$ 31,550	\$ 98,512	\$ 103,606	\$ 126,103	\$ 95,155	\$ 111,816	\$ 118,163	\$ 98,831	\$ 221,187
Interest and Fiscal Charges	45,615	47,769	68,383	69,769	74,108	70,026	70,549	72,074	95,097	112,030
<b>Total Debt Service</b>	<b>73,827</b>	<b>79,319</b>	<b>166,895</b>	<b>173,375</b>	<b>200,211</b>	<b>165,181</b>	<b>182,365</b>	<b>190,237</b>	<b>193,928</b>	<b>333,217</b>
<b>Total Expenditures</b>	<b>\$ 11,077,976</b>	<b>\$ 11,728,614</b>	<b>\$ 12,915,761</b>	<b>\$ 14,127,518</b>	<b>\$ 15,016,374</b>	<b>\$ 16,070,340</b>	<b>\$ 16,609,388</b>	<b>\$ 16,644,726</b>	<b>\$ 16,703,049</b>	<b>\$ 17,040,900</b>
<b>Ratio</b>	<b>0.666%</b>	<b>0.676%</b>	<b>1.292%</b>	<b>1.227%</b>	<b>1.333%</b>	<b>1.028%</b>	<b>1.098%</b>	<b>1.143%</b>	<b>1.161%</b>	<b>1.955%</b>

**State of Oklahoma**  
**Ratios of Outstanding Debt by Type –**  
**Primary Government**  
**Last Ten Fiscal Years**  
 (expressed in thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Governmental Activities Debt:</b>										
General Obligation Bonds	\$ 261,210	\$ 261,210	\$ 247,500	\$ 233,510	\$ 218,955	\$ 203,755	\$ 188,030	\$ 175,645	\$ 175,645	\$ 136,585
General Obligation Bonds as a Percentage of General Revenue <sup>a</sup>	4.13%	3.87%	3.16%	2.82%	2.56%	2.50%	2.81%	2.26%	2.03%	1.59%
Per Capita (actual-not in thousands) <sup>b</sup>	\$ 74	\$ 74	\$ 69	\$ 65	\$ 60	\$ 55	\$ 50	\$ 46	\$ 46	\$ 36
Revenue bonds	640,619	668,091	1,208,646	1,137,350	1,061,570	1,099,625	1,173,025	1,428,820	1,424,555	1,353,449
Notes Payable	107,842	97,869	136,966	221,898	211,570	299,266	246,623	229,929	212,592	194,560
Certificates of Participation	559	57	-	-	-	-	-	-	-	-
Capital Leases	5,336	4,161	3,287	4,641	5,082	6,650	12,553	12,719	8,710	10,712
<b>Total Governmental Activities</b>	<b>1,015,566</b>	<b>1,031,388</b>	<b>1,596,399</b>	<b>1,597,399</b>	<b>1,497,177</b>	<b>1,609,296</b>	<b>1,620,231</b>	<b>1,847,113</b>	<b>1,821,502</b>	<b>1,695,306</b>
<b>Business-Type Activities Debt:</b>										
Revenue Bonds	\$ 534,727	\$ 701,364	\$ 653,070	\$ 580,049	\$ 544,900	\$ 502,901	\$ 599,984	\$ 759,493	\$ 832,597	\$ 931,413
<b>Total Primary Government</b>	<b>1,550,293</b>	<b>1,732,752</b>	<b>2,249,469</b>	<b>2,177,448</b>	<b>2,042,077</b>	<b>2,112,197</b>	<b>2,220,215</b>	<b>2,606,606</b>	<b>2,654,099</b>	<b>2,626,719</b>
Total Primary Government Debt as a Percentage of Personal Income <sup>c</sup>	1.55%	1.62%	1.92%	1.72%	1.60%	1.60%	1.66%	1.92%	1.84%	1.68%
Per Capita (actual-not in thousands) <sup>b</sup>	\$ 440	\$ 488	\$ 629	\$ 602	\$ 559	\$ 575	\$ 595	\$ 679	\$ 694	\$ 684

<sup>a</sup> General Revenue values can be found in the Changes in Net Position statistics schedule.

<sup>b</sup> Population data can be found in the Demographic and Economic Statistics schedule. The amount for the current year is estimated. Population data for the current year was unavailable at printing.

<sup>c</sup> Debt by Type information can be found in the notes to the financial statements. The percentage for the current year is estimated. Current year personal income data was unavailable at printing.

**State of Oklahoma**  
**Revenue Bond Coverage**  
**Enterprise Fund and Component Units**  
**For Last Ten Fiscal Years**  
 (expressed in thousands)

	Fiscal Year Ended	Gross Revenues (1)	Operating Expenses (2)	Net Revenues for Debt Service	Debt Service Requirements	Debt Serv. Coverage
<b>COMPONENT UNITS:</b>						
<b>Oklahoma Student Loan Authority</b> (June 30 year end)	2013	\$ 19,195	\$ 9,319	\$ 9,876	\$ 7,002	1.41
	2012	16,201	2,134	14,067	6,823	2.06
	2011	19,831	(296)	20,127	7,734	2.60
	2010	19,858	(1,993)	21,851	42,601	0.51
	2009	39,625	867	38,758	94,891	0.41
	2008	60,391	958	59,433	95,588	0.62
	2007	65,329	887	64,442	41,813	1.54
	2006	50,446	1,431	49,015	56,296	0.87
	2005	33,029	3,979	29,050	30,846	0.94
	2004	21,306	3,367	17,939	10,452	1.72
<b>Oklahoma Housing Finance Agency</b> (September 30 year end)	2012	\$ 47,532	\$ 14,855	\$ 32,678	\$ 88,459	0.37
	2011	63,923	14,131	49,792	69,559	0.72
	2010	64,490	15,346	49,144	44,125	1.11
	2009	83,223	14,233	68,990	104,808	0.66
	2008	67,511	13,402	54,109	72,439	0.75
	2007	54,416	12,831	41,585	54,104	0.77
	2006	36,019	12,278	23,741	50,091	0.47
	2005	33,503	11,525	21,978	76,490	0.29
	2004	39,740	11,870	27,870	117,072	0.24
	2003	43,239	11,110	32,129	87,628	0.37
<b>Oklahoma Turnpike Authority</b> (December 31 year end)	2012	\$ 241,379	\$ 86,706	\$ 154,674	\$ 101,570	1.52
	2011	235,369	87,918	147,451	99,141	1.49
	2010	237,047	72,396	164,651	100,389	1.64
	2009	217,158	70,915	146,243	99,555	1.47
	2008	273,732	75,320	198,412	94,143	2.11
	2007	212,380	70,197	142,183	89,604	1.59
	2006	208,835	64,819	144,016	82,546	1.74
	2005	203,372	59,883	143,489	91,624	1.57
	2004	195,710	53,340	142,370	91,799	1.55
	2003	188,999	52,441	136,558	79,430	1.72
<b>Grand River Dam Authority</b> (December 31 year end)	2012	\$ 423,614	\$ 272,188	\$ 151,425	\$ 135,799	1.12
	2011	418,551	254,480	164,071	136,623	1.20
	2010	398,415	196,671	201,744	142,448	1.42
	2009	340,341	214,758	125,583	124,702	1.01
	2008	346,067	156,179	189,888	68,780	2.76
	2007	314,287	127,530	186,757	99,214	1.88
	2006	300,888	181,698	119,190	100,131	1.19
	2005	289,868	164,443	125,425	100,986	1.24
	2004	235,641	121,399	114,242	101,869	1.12
	2003	213,124	109,850	103,274	102,609	1.01
<b>Oklahoma Municipal Power Authority</b> (December 31 year end)	2012	\$ 175,506	\$ 124,308	\$ 51,198	\$ 43,857	1.17
	2011	175,983	126,187	49,796	44,848	1.11
	2010	163,991	117,610	46,381	40,299	1.15
	2009	153,534	113,568	39,966	35,494	1.13
	2008	158,006	122,828	35,178	36,346	0.97
	2007	153,391	119,268	34,123	32,730	1.04
	2006	167,944	132,472	35,472	30,265	1.17
	2005	170,128	133,730	36,398	32,779	1.11
	2004	139,703	102,548	37,155	31,813	1.17
	2003	134,334	98,703	35,631	31,973	1.11

	Fiscal Year Ended	Gross Revenues (1)	Operating Expenses (2)	Net Revenues for Debt Service	Debt Service Requirements	Debt Serv. Coverage
<b>Higher Education</b> (June 30 year end)	2013	\$ 5,953,195	\$ 3,944,790	\$ 2,008,405	\$ 147,220	13.64
	2012	5,389,947	3,932,409	1,457,538	148,780	9.80
	2011	4,722,834	3,562,033	1,160,801	207,268	5.60
	2010	4,177,035	3,670,063	506,972	303,612	1.67
	2009	3,831,790	3,636,123	195,667	95,303	2.05
	2008	4,109,380	3,365,616	743,764	69,859	10.65
	2007	3,950,840	3,201,403	749,437	194,053	3.86
	2006	3,726,961	3,004,968	721,993	117,155	6.16
	2005	3,193,703	2,697,338	496,365	60,609	8.19
	2004	3,055,770	2,586,517	469,253	86,143	5.45
<b>ENTERPRISE FUND:</b>						
<b>Oklahoma Water Resources Board</b> (June 30 year end)	2013	\$ 20,128	\$ 1,427	\$ 18,701	\$ 56,376	0.33
	2012	17,580	1,036	16,544	40,532	0.41
	2011	14,705	1,529	13,176	34,638	0.38
	2010	12,885	1,126	11,759	34,162	0.34
	2009	12,069	807	11,262	40,149	0.28
	2008	13,523	823	12,700	36,575	0.35
	2007	14,992	781	14,211	140,922	0.10
	2006	14,815	1,813	13,002	59,607	0.22
	2005	11,955	2,092	9,863	49,697	0.20
	2004	-	1,519	(1,519)	57,564	-0.03

(1) Gross revenues including interest and investment income, but excluding revenues restricted to other debt.

(2) Operating expenses, exclusive of depreciation and operating interest (where applicable)

- Revenue bond coverage is not intended to portray compliance with bond indenture agreements.

- Debt service requirements do not include one time debt service payments from refunding bonds.

**State of Oklahoma**  
**Major Employers by Size**  
**Non-Government**  
**For Years 2003 and 2012**

Non-Governmental Major Employers 2003	Non-Governmental Major Employers 2012	Employment 2012	Percentage of Total State Employment 2012
AMR Corp.	Wal-Mart Stores, Inc.	33,000	1.93%
Hillcrest Healthcare System	Integris Health, Inc.	8,500	0.50%
Integris Health	American Airlines, Inc.	6,500	0.38%
Wal-Mart Stores, Inc.	Saint Francis Hospital, Inc.	6,000	0.35%
Conoco Phillips	Saint John Medical Center, Inc.	6,000	0.35%
General Motors Corporation	W. H. Braum, Inc.	5,000	0.29%
HCA Healthcare	Chesapeake Energy Corporation	5,000	0.29%
Hertz Corporation	Hobby Lobby Stores	5,000	0.29%
Saint Francis Hospital	Express Employment Professionals	4,500	0.26%
Saint John Medical Center, Inc.	AT&T/Southwestern Bell	4,000	0.23%

*Source: Oklahoma Department of Commerce*

*Note: The information above is compiled by the Department of Commerce and is the latest available at the date of publication.*

# State of Oklahoma

## Demographic and Economic Statistics

### Last Ten Fiscal Years

Year	Population <sup>a</sup> (in thousands)			Personal Income <sup>a</sup> (in millions)		Per Capita Personal Income <sup>a</sup>			Civilian Labor Force <sup>b</sup>			
	Change from Prior Period		State of Oklahoma	Change from Prior Period		State of Oklahoma	U.S.	State of Oklahoma	Oklahoma as a Percentage of U.S.	Employed	Unemployed	Unemployment Rate
	U.S.	U.S.	State of Oklahoma	U.S.	State of Oklahoma	U.S.	U.S.	State of Oklahoma	Percentage of U.S.	Employed	Unemployed	Unemployment Rate
2003	290,211	0.86%	3,496	0.37%	94,148	32,284	26,929	83.41%	1,597,617	100,957	5.9%	
2004	292,892	0.92%	3,512	0.46%	101,179	33,899	28,810	84.99%	1,608,525	87,991	5.2%	
2005	295,561	0.91%	3,530	0.51%	107,641	35,447	30,492	86.02%	1,626,191	78,410	4.6%	
2006	298,363	0.95%	3,568	1.08%	118,747	37,728	33,280	88.21%	1,647,755	69,844	4.1%	
2007	301,290	0.98%	3,608	1.12%	123,889	39,430	34,336	87.08%	1,657,767	76,688	4.4%	
2008	304,060	0.92%	3,642	0.94%	131,070	40,208	35,985	89.50%	1,682,000	71,000	4.1%	
2009	307,007	0.97%	3,687	1.24%	132,144	39,626	35,840	90.45%	1,660,000	114,000	6.4%	
2010	309,350	0.76%	3,762	2.03%	133,149	39,945	35,396	88.61%	1,631,000	124,000	7.1%	
2011	311,592	0.72%	3,792	0.80%	142,862	41,560	37,679	90.66%	1,662,000	109,000	6.2%	
2012	313,914	0.75%	3,815	0.61%	154,958	43,735	40,620	92.88%	1,709,000	94,000	5.2%	

<sup>a</sup> source U.S. Bureau of Economic Analysis as adjusted

<sup>b</sup> source Oklahoma Employment Security Commission and U.S. Bureau of Labor Statistics as adjusted

*Note: The information above is the latest available at the date of publication.*

# State of Oklahoma School Enrollments

## For the Years 2003 through 2012

<u>Public School Enrollments:</u>	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Early childhood	24,476	26,297	29,685	33,418	34,378	35,270	37,726	39,784	40,688	37,929
Kindergarten	40,801	42,603	44,193	48,667	49,362	49,306	50,497	51,037	52,114	52,339
Elementary School	233,332	231,626	230,323	255,144	236,130	239,446	242,668	246,305	248,398	252,235
Junior High School	112,790	113,080	112,771	117,026	137,251	136,059	135,889	138,626	140,964	130,505
Senior High School	148,900	148,816	149,585	157,248	178,292	178,400	176,679	177,366	175,949	173,193
No-High School Districts (Grades 1-8)	16,757	16,669	16,421	19,435	20,743	22,603	24,090	23,938	23,596	23,549
Special Education (Ungraded)	3,062	3,161	2,499	3,802	3,978	3,584	1,649	1,684	1,798	1,535
Out-of-Home Placements	<u>1,648</u>	<u>1,674</u>	<u>1,687</u>	<u>1,777</u>	<u>1,854</u>	<u>1,635</u>	<u>1,806</u>	<u>1,720</u>	<u>1,915</u>	<u>1,905</u>
Total	<u>581,766</u>	<u>583,926</u>	<u>587,164</u>	<u>636,516</u>	<u>661,988</u>	<u>666,303</u>	<u>671,004</u>	<u>680,460</u>	<u>685,422</u>	<u>673,190</u>
<u><b>Higher Education:</b></u>										
Public Institutions	225,040	230,090	237,455	235,730	233,371	235,388	250,673	255,503	256,213	251,096
Private Institutions	<u>29,007</u>	<u>27,125</u>	<u>24,661</u>	<u>24,060</u>	<u>24,070</u>	<u>25,278</u>	<u>21,945</u>	<u>25,856</u>	<u>26,830</u>	<u>27,708</u>
Total	<u>254,047</u>	<u>257,215</u>	<u>262,116</u>	<u>259,790</u>	<u>257,441</u>	<u>260,666</u>	<u>272,618</u>	<u>281,359</u>	<u>283,043</u>	<u>278,804</u>
<u><b>Career-Technology Education:</b></u>										
Secondary *	145,788	151,833	151,703	154,857	160,310	156,755	154,492	148,831	148,831	151,720
Adult	<u>330,095</u>	<u>357,619</u>	<u>375,790</u>	<u>404,260</u>	<u>407,597</u>	<u>378,772</u>	<u>345,016</u>	<u>354,949</u>	<u>354,949</u>	<u>376,783</u>
Total	<u>475,883</u>	<u>509,452</u>	<u>527,493</u>	<u>559,117</u>	<u>567,907</u>	<u>535,527</u>	<u>499,508</u>	<u>503,780</u>	<u>503,780</u>	<u>528,503</u>

\* These students may also be included in public school enrollments above.

Sources: Department of Education, Regents for Higher Education, and Department of Vocational and Technical education.

**State of Oklahoma**  
**Government Employees by Function**  
Fiscal Years 2003 through 2012  
(excluding Higher Education)

Function:	2003	2004	2005 <sup>a</sup>	2006 <sup>a</sup>	2007 <sup>a</sup>	2008 <sup>a</sup>	2009 <sup>a</sup>	2010 <sup>a</sup>	2011 <sup>a</sup>	2012 <sup>a</sup>
Education	1,203	1,079	1,026	1,002	993	1,052	1,043	963	864	832
General Government	2,573	2,443	1,993	2,105	2,023	2,312	2,297	2,324	2,036	2,275
Health Services	4,158	4,195	3,998	4,709	4,719	4,977	4,920	4,550	4,403	4,254
Legal and Judiciary	586	582	341	444	745	2,345	2,335	2,316	2,216	2,276
Museums	186	187	158	164	164	176	168	158	151	149
Natural Resources	3,318	3,382	2,704	2,010	1,973	2,570	2,547	2,418	2,356	2,292
Public Safety and Defense	7,245	7,212	6,911	8,835	8,524	7,287	7,224	6,857	6,428	6,311
Regulatory Services	1,448	1,417	1,244	1,839	1,625	1,376	1,368	1,328	1,291	1,280
Social Services	12,692	13,043	12,197	11,810	11,303	12,191	12,635	12,027	11,674	11,033
Transportation	2,941	3,001	2,945	3,027	2,984	2,971	3,109	3,019	2,960	2,893
<b>Total</b>	<b>36,350</b>	<b>36,541</b>	<b>33,517</b>	<b>35,945</b>	<b>35,053</b>	<b>37,257</b>	<b>37,646</b>	<b>35,960</b>	<b>34,379</b>	<b>33,595</b>

Source: The Human Capital Management (HCM) division of the Office of Management and Enterprise Services (OMES).

<sup>a</sup> HCM changed to the PeopleSoft HRMS system in FY2005. Information from FY2005 to current year includes only full-time, regular employees.

**State of Oklahoma**  
**Capital Asset Utilization by Function-**  
**Primary Government**  
Last Ten Fiscal Years  
(net of depreciation, expressed in thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Governmental activities:</b>										
Education	\$ 19,423	\$ 19,213	\$ 19,079	\$ 18,592	\$ 18,130	\$ 23,888	\$ 24,064	\$ 28,402	\$ 29,906	\$ 29,628
General Government	150,593	150,583	161,620	161,339	173,422	173,235	220,891	235,887	289,578	291,033
Health Services	32,876	32,003	30,632	28,161	28,784	142,580	149,604	146,835	162,355	157,101
Legal and Judiciary	100	20	139	300	302	125	387	310	349	1,066
Museums	6,879	6,760	6,607	6,454	6,576	6,594	11,156	12,662	12,505	13,169
Natural Resources	94,712	98,016	99,250	103,066	122,618	140,616	160,253	180,892	193,947	200,208
Public Safety and Defense	266,182	278,764	297,093	306,970	320,743	372,077	460,894	502,434	524,859	529,224
Regulatory Services	624	552	637	697	682	1,597	1,532	1,173	904	859
Social Services	176,706	192,402	198,744	203,034	209,140	97,722	122,358	118,942	115,417	104,439
Transportation	6,184,651	6,268,343	6,444,886	6,828,923	7,179,503	7,513,128	8,139,553	8,730,234	9,159,061	9,433,515
Governmental activities, net	<b>\$ 6,932,746</b>	<b>\$ 7,046,656</b>	<b>\$ 7,258,687</b>	<b>\$ 7,657,536</b>	<b>\$ 8,059,900</b>	<b>\$ 8,471,562</b>	<b>\$ 9,290,692</b>	<b>\$ 9,957,771</b>	<b>\$ 10,488,881</b>	<b>\$ 10,760,242</b>
<b>Business-type activities, net</b>	<b>\$ 220</b>	<b>\$ 175</b>	<b>\$ 608</b>	<b>\$ 1,028</b>	<b>\$ 771</b>	<b>\$ 527</b>	<b>\$ 330</b>	<b>\$ 202</b>	<b>\$ 126</b>	<b>\$ 1,037</b>

# State of Oklahoma

## Operating Indicators for Governmental Functions

### Fiscal Years 2007-2013

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>General Government</b>							
Department of Central Services							
Number of motor vehicles maintained	1,019	1,019	964	1,267	1,203	1,217	1,168
Number of buildings managed by DCS	17	17	17	18	18	19	20
<b>Health Services</b>							
Department of Health							
Protective services:							
Retail food establishment inspections	24,704	33,648	33,648	24,369	23,368	45,874	43,083
Food inspections	45,847	43,387	42,342	48,036	44,878	46,662	43,671
Nursing Homes:							
Facility licensing, inspections and complaints	3,335	3,622	2,314	2,120	1,912	4,078	2,223
Residents (approximate)	18,500	18,950	17,813	19,623	21,202	18,512	19,340
Mental Health and Substance Abuse Department							
Number of patients:							
Mental Health	44,623	47,422	52,226	54,804	56,478	65,356	65,314
Substance Abuse	19,470	21,084	22,144	20,981	18,881	19,351	18,208
Hospitals - Inpatient Care	3	3	3	3	3	3	3
<b>Legal and Judiciary</b>							
Oklahoma Indigent Defense system							
Provides legal representation for indigent citizens charged with committing criminal acts.							
Represented - Total Court Appointments	38,556	39,334	39,385	43,883	41,965	43,712	43,980
Included above: Non-capital trial cases	32,000	30,000	30,000	32,000	33,000	35,000	43,167
Capital trial cases	65	71	92	105	112	98	67
General appeals cases	696	596	529	558	609	540	595
Average cost: Non-capital case (Staff Attorney)	\$463	\$410	\$373	\$279	\$380	\$368	\$361
Capital case (Staff Attorney)	\$38,708	\$34,824	\$28,756	\$28,423	\$21,196	\$21,551	\$25,955
<b>Museums</b>							
J. M. Davis Memorial							
Museum - 40,000 sq. ft.							
Number of artifacts	45,000	48,012	48,012	48,012	48,012	50,000	50,000
Visitors per year (average)	22,000	22,000	22,000	22,000	22,000	35,000	30,000
Oklahoma Historical Society							
Center - 18 acres 215,000 sq. ft.							
Number of artifacts (on exhibit)	>2,000	>2,000	>2,000	>2,000	>2,000	>2000	>2000
Visitors and researchers per year (average)	200,000	225,000	244,000	244,000	185,491	254,634	214,723
Will Rogers Memorial							
Museum - 8 Galleries - 16,652 sq. ft.							
Library - 2,400 sq. ft.							
Archives - number of documents, photographs	18,000	18,000	18,000	18,000	18,000	18,000	18,000
Visitors and researchers per year (average)	116,000	115,000	120,000	117,000	120,000	133,000	32,000
<b>Natural Resources</b>							
Wildlife Conservation							
Number of Anglers in State (last census)	774,000	697,000	697,000	697,000	697,000	729,000	729,000
Number of Hunters (last census)	261,000	445,000	445,000	445,000	445,000	244,000	244,000
Number of Wildlife Watchers (last census)	1,131,000	1,110,000	1,110,000	1,110,000	1,110,000	1,263,000	1,263,000

Source: Agency reports, Governor's annual budget report. Data above is the latest available at the date of publication.

*Note: GASB Statement 44 recommends, but does not require, the information in the statistical section to cover the last ten years or the period retroactive to the adoption of GASB statement 34. Fiscal year 2007 was the first year the operating indicators above were reported in the CAFR.*

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Public Safety and Defense</b>							
Department of Public Safety							
Driver's Licenses Issued	1,011,457	902,069	954,419	744,878	690,131	694,557	741,938
Citations Processed	221,659	219,442	168,346	227,426	162,748	158,914	182,073
Collision Reports Processed	14,175	14,033	76,947	79,354	74,714	73,462	68,406
Department of Corrections							
Capacity (Number of Beds)	24,845	24,815	25,515	25,455	25,364	25,469	25,846
Prison Population	24,124	24,433	24,337	24,870	24,384	24,526	25,159
As a percentage of capacity	97.1%	98.5%	95.4%	97.7%	96.1%	96.3%	97.3%
Cost to house an inmate:							
Per diem cost/day - Maximum Security	\$60.07	\$70.04	\$64.35	\$75.97	\$75.85	\$78.50	\$87.01
Per diem cost/day - Medium Security	\$51.94	\$56.10	\$44.93	\$42.41	\$38.98	\$38.94	\$40.17
<b>Regulatory Services</b>							
Oklahoma Corporation Commission							
Number of regulated utilities	586	548	494	511	484	421	418
Hearings and administrative proceedings	33,523	32,273	35,582	29,981	30,504	31,805	40,052
Motor carrier vehicles registered (power units)	156,895	131,444	151,639	121,874	132,927	135,230	139,569
Oil and gas wells plugged (operator plugged)	2,016	1,699	1,629	1,582	2,926	1,948	1,319
Oil and gas wells plugged (abandoned, plugged by OCC)							167
Motor Fuel Facilities inspected	3,816	3,388	4,174	5,490	4,341	4,326	5,760
Retail fuel dispenser (pump) inspections	70,465	82,470	85,118	97,326	77,444	70,649	75,939
<b>Social Services</b>							
Department of Human Services							
Adoption subsidies (end of fiscal year)	9,923	10,051	10,951	11,924	12,384	13,114	13,706
Adult protective svcs (state fiscal year)	29,098	27,428	27,653	28,334	26,464	24,857	23,148
Child care services provided (monthly average)	45,246	40,250	39,079	39,060	39,017	36,444	34,722
Licensed facilities (monthly average)	5,533	4,762	4,696	4,561	4,376	4,213	3,960
Licensed capacity (monthly average)	140,507	137,743	137,973	136,534	136,816	135,585	132,625
Child protective services-Substantiated (state fiscal year)	13,827	11,714	8,605	7,248	8,110	9,842	11,418
Child support enforcement (cases-quarterly average)	169,394	182,228	188,327	193,000	198,390	202,743	203,209
Developmental Disabilities Persons Served (end of fiscal year)	12,692	13,724	14,063	14,352	14,602	9,894	9,772
Elderly support services (meals/state fiscal year)	4,117,680	4,005,247	3,902,997	6,176,989	6,098,275	6,265,779	6,105,823
Food stamps (unduplicated count/state fiscal year)	433,372	415,397	445,364	559,626	609,723	891,555	889,137
Foster care children (end of fiscal year)	7,898	12,108	9,489	7,973	8,502	9,132	10,233
Oklahoma Employment Security Commission							
Initial unemployment claims	112,153	107,308	183,159	218,918	183,849	155,885	124,170
Unemployment insurance paid	\$153,706,474	\$158,694,794	\$350,260,138	\$499,636,015	\$340,695,628	\$271,279,698	\$263,654,340
<b>Transportation</b>							
Oklahoma Department of Transportation							
State Highway System	12,266 miles	12,266 miles	12,266 miles	12,266 miles	12,882 miles	12,882 miles	12,882 miles
Bridges on the State Highway System	6,728	6,728	6,728	6,728	6,800	6,800	6,800
System usage growth next 20 years (est.)							
Automobiles	33%	33%	33%	33%	65%	65%	65%
Trucks	70%	70%	70%	70%	65%	65%	65%
Freight railroads operating in Oklahoma	20	20	20	20	22	22	22
Passenger railroad	1	1	1	1	1	1	1
Rail passengers (average per year)	54,000	54,000	54,000	54,000	81,000	81,000	81,000
Railroad track	3,234 miles	3,234 miles	3,234 miles	3,234 miles	3,746 miles	3,746 miles	3,746 miles
Public Waterway Ports	2	2	2	2	2	2	2

# **State of Oklahoma**

## **Additional Information and Sources of Statistical Data**

### **Fiscal Year 2013**

#### **Additional Information:**

The population of Oklahoma has steadily increased since 2004, averaging .95% per year.

At the end of December 2012, the Bureau of Labor Statistics reported the State's unemployment rate was 5.2% compared to the national rate of 8.1%. Oklahoma's unemployment rate has been below the national average since 1996.

Oklahoma's total personal income rate has increased at an average of 5.93% annually since 2004. During the same period personal income per capita increased by 4.93% averaged annually compared to 3.74% nationally.

As a result, annual total tax collections since 2004 have increased by \$1,482,450,000 or 23.24%.

Please refer to the preceding Statistical Section tables, Management's Discussion and Analysis, the Financial Statements and Notes for more details and analysis.

#### **Sources of Statistical Data:**

Data provided in the statistical section of the CAFR is the latest available at the time of publication.

Primary sources of statistical data provided in the Statistical Section of the CAFR include:

- Oklahoma Department of Commerce
- Oklahoma Department of Labor
- Oklahoma Employment Security Commission
- Oklahoma Tax Commission
- Oklahoma Department of Education
- Oklahoma Regents for Higher Education
- Oklahoma Department of Vocational and Technical Education
- Oklahoma Office of Management and Enterprise Services
- U. S. Bureau of Labor Statistics
- U. S. Census Bureau
- U. S. Department of Commerce
- U. S. Bureau of Economic Analysis

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Special Thanks To

Photos courtesy of Stefani Hovarter of the Office of Management and Enterprise Services

# 2013

# OKLAHOMA

## General Information

Admitted to Union (46th State) .....	1907
Capital .....	Oklahoma City
2012 Population .....	3,814,820
Population per square mile .....	54.2
Counties .....	77

## State Symbols

Nickname .....	Sooner State
Motto .....	Labor Omnia Vincit ( Labor conquers all things)
Colors .....	Green and White
Flower .....	Oklahoma Rose
Floral Emblem .....	Mistletoe
Tree .....	Redbud
Bird .....	Scissor-tailed Flycatcher
Animal .....	American Buffalo
Fish .....	White Bass (Sand Bass)
Butterfly .....	Black Swallowtail
Reptile .....	Mountain Boomer (Collared Lizard)
Rock .....	Rose Rock
Wildflower .....	Indian Blanket

## Area

Total Area .....	69,903 square miles
Land Area .....	68,679 square miles
Water Area .....	1,224 square miles

## Recreation

Number of State Parks .....	35
Number of State Trails .....	91
Number of Lakes .....	135



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